

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 October 27, 2012**

or

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

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

Commission file number: 0-14678

**Ross Stores, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or  
organization)

**94-1390387**

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

**4440 Rosewood Drive, Pleasanton, California**

(Address of principal executive offices)

**94588-3050**

(Zip Code)

Registrant's telephone number, including area code

**(925) 965-4400**

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

N/A

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

Yes  No

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares of Common Stock, with \$.01 par value, outstanding on November 15, 2012 was 222,380,667 .



## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

#### Condensed Consolidated Statements of Earnings

(\$000, except stores and per share data, unaudited)	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
<b>Sales</b>	<b>\$ 2,262,723</b>	<b>\$ 2,046,427</b>	<b>\$ 6,960,419</b>	<b>\$ 6,210,413</b>
<b>Costs and Expenses</b>				
Costs of goods sold	<b>1,648,997</b>	1,490,213	<b>5,017,767</b>	4,495,726
Selling, general and administrative	<b>357,983</b>	332,226	<b>1,047,883</b>	962,271
Interest expense, net	<b>1,643</b>	2,565	<b>5,961</b>	7,629
Total costs and expenses	<b>2,008,623</b>	1,825,004	<b>6,071,611</b>	5,465,626
Earnings before taxes	<b>254,100</b>	221,423	<b>888,808</b>	744,787
Provision for taxes on earnings	<b>94,576</b>	77,454	<b>338,647</b>	279,569
Net earnings	<b>\$ 159,524</b>	<b>\$ 143,969</b>	<b>\$ 550,161</b>	<b>\$ 465,218</b>

#### Earnings per share

Basic	<b>\$ 0.73</b>	\$ 0.64	<b>\$ 2.50</b>	\$ 2.05
Diluted	<b>\$ 0.72</b>	\$ 0.63	<b>\$ 2.46</b>	\$ 2.01

#### Weighted average shares outstanding (000)

Basic	<b>218,583</b>	224,540	<b>219,917</b>	227,125
Diluted	<b>222,185</b>	228,460	<b>223,596</b>	231,105

#### Dividends

Cash dividends declared per share	<b>\$ 0.14</b>	\$ 0.11	<b>\$ 0.28</b>	\$ 0.22
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Stores open at end of period	<b>1,205</b>	1,126	<b>1,205</b>	1,126
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The accompanying notes are an integral part of these condensed consolidated financial statements.

## Condensed Consolidated Statements of Comprehensive Income

(\$000, unaudited)	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Net earnings	\$ 159,524	\$ 143,969	\$ 550,161	\$ 465,218
Other comprehensive income:				
Change in unrealized (loss) gain on investments, net of tax	(7)	(36)	9	47
Comprehensive income	<u>\$ 159,517</u>	<u>\$ 143,933</u>	<u>\$ 550,170</u>	<u>\$ 465,265</u>

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

## Condensed Consolidated Balance Sheets

(\$000, unaudited)	October 27, 2012	January 28, 2012	October 29, 2011
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 623,822	\$ 649,835	\$ 552,924
Short-term investments	1,533	658	298
Accounts receivable	68,493	50,848	62,384
Merchandise inventory	1,342,904	1,130,070	1,233,616
Prepaid expenses and other	102,609	87,362	88,964
Deferred income taxes	11,509	5,598	19,914
Total current assets	<u>2,150,870</u>	<u>1,924,371</u>	<u>1,958,100</u>
<b>Property and Equipment</b>			
Land and buildings	345,892	338,027	265,829
Fixtures and equipment	1,543,117	1,408,647	1,375,623
Leasehold improvements	712,672	657,312	628,202
Construction-in-progress	156,187	131,881	79,191
	<u>2,757,868</u>	<u>2,535,867</u>	<u>2,348,845</u>
Less accumulated depreciation and amortization	1,405,702	1,294,145	1,260,601
Property and equipment, net	<u>1,352,166</u>	<u>1,241,722</u>	<u>1,088,244</u>
Long-term investments	4,397	5,602	5,984
Other long-term assets	140,504	129,514	129,616
Total assets	<u>\$ 3,647,937</u>	<u>\$ 3,301,209</u>	<u>\$ 3,181,944</u>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 886,629	\$ 761,717	\$ 759,708
Accrued expenses and other	352,484	304,654	290,498
Accrued payroll and benefits	227,475	248,552	217,238
Income taxes payable	—	31,129	1,628
Total current liabilities	<u>1,466,588</u>	<u>1,346,052</u>	<u>1,269,072</u>
Long-term debt	150,000	150,000	150,000
Other long-term liabilities	223,477	203,625	204,105
Deferred income taxes	110,137	108,520	111,516
Commitments and contingencies			
<b>Stockholders' Equity</b>			
Common stock	2,226	2,269	1,145
Additional paid-in capital	854,703	788,895	777,425

Treasury stock	<b>(90,989)</b>	(62,262)	(61,910)
Accumulated other comprehensive income	<b>644</b>	635	535
Retained earnings	<b>931,151</b>	763,475	730,056
Total stockholders' equity	<b>1,697,735</b>	1,493,012	1,447,251
Total liabilities and stockholders' equity	<b>\$ 3,647,937</b>	\$ 3,301,209	\$ 3,181,944

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

## Condensed Consolidated Statements of Cash Flows

(\$000, unaudited)	Nine Months Ended	
	October 27, 2012	October 29, 2011
<b>Cash Flows From Operating Activities</b>		
Net earnings	\$ 550,161	\$ 465,218
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	133,824	117,337
Stock-based compensation	37,380	30,411
Deferred income taxes	(4,294)	10,402
Tax benefit from equity issuance	27,714	14,073
Excess tax benefit from stock-based compensation	(26,997)	(13,362)
Change in assets and liabilities:		
Merchandise inventory	(212,834)	(146,699)
Other current assets	(32,340)	(24,145)
Accounts payable	156,763	18,227
Other current liabilities	6,628	(65,961)
Other long-term, net	10,265	8,190
Net cash provided by operating activities	<u>646,270</u>	<u>413,691</u>
<b>Cash Flows From Investing Activities</b>		
Additions to property and equipment	(255,332)	(231,349)
Increase in restricted cash and investments	(2,012)	(66,505)
Purchases of investments	(424)	—
Proceeds from investments	809	10,965
Net cash used in investing activities	<u>(256,959)</u>	<u>(286,889)</u>
<b>Cash Flows From Financing Activities</b>		
Excess tax benefit from stock-based compensation	26,997	13,362
Issuance of common stock related to stock plans	15,317	14,060
Treasury stock purchased	(28,727)	(15,502)
Repurchase of common stock	(334,357)	(342,733)
Dividends paid	(94,554)	(76,989)
Net cash used in financing activities	<u>(415,324)</u>	<u>(407,802)</u>
Net decrease in cash and cash equivalents	(26,013)	(281,000)
Cash and cash equivalents:		
Beginning of period	649,835	833,924
End of period	<u>\$ 623,822</u>	<u>\$ 552,924</u>

## Supplemental Cash Flow Disclosures

Interest paid	\$	4,834	\$	4,834
Income taxes paid	\$	344,686	\$	300,824

**Non-Cash Investing Activities**

Increase in fair value of investment securities	\$	14	\$	72
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The accompanying notes are an integral part of these condensed consolidated financial statements.



## Notes to Condensed Consolidated Financial Statements

Three and Nine Months Ended October 27, 2012 and October 29, 2011  
(Unaudited)

### Note A: Summary of Significant Accounting Policies

**Basis of presentation.** The accompanying unaudited interim condensed consolidated financial statements have been prepared from the records of Ross Stores, Inc. and subsidiaries (the "Company") without audit and, in the opinion of management, include all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the Company's financial position as of October 27, 2012 and October 29, 2011, the results of operations and comprehensive income for the three and nine month periods ended October 27, 2012 and October 29, 2011, and cash flows for the nine month periods ended October 27, 2012 and October 29, 2011. The Condensed Consolidated Balance Sheet as of January 28, 2012, presented herein, has been derived from the Company's audited consolidated financial statements for the fiscal year then ended.

Accounting policies followed by the Company are described in Note A to the audited consolidated financial statements for the fiscal year ended January 28, 2012. Certain information and disclosures normally included in the notes to annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted for purposes of these interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including notes thereto, contained in the Company's Annual Report on Form 10-K for the year ended January 28, 2012.

The results of operations and comprehensive income for the three and nine month periods ended October 27, 2012 and October 29, 2011 presented herein are not necessarily indicative of the results to be expected for the full fiscal year.

**Stock dividend.** On December 15, 2011 the Company issued a two-for-one stock split in the form of a 100 percent stock dividend. All share and per share amounts have been adjusted for the two-for-one stock split effective December 15, 2011.

**Restricted cash, cash equivalents, and investments.** The Company has restricted cash, cash equivalents, and investments that serve as collateral for certain insurance obligations of the Company. These restricted funds are invested in bank deposits, money market mutual funds, U.S. Government and agency securities, and corporate securities and cannot be withdrawn from the Company's account without the prior written consent of the secured parties. As of October 27, 2012, the Company had total restricted cash, cash equivalents, and investments of \$68.7 million of which \$19.2 million and \$49.5 million were included in prepaid expenses and other and other long-term assets, respectively, in the Condensed Consolidated Balance Sheet. As of January 28, 2012, the Company had total restricted cash, cash equivalents, and investments of \$66.8 million of which \$18.7 million and \$48.1 million were included in prepaid expenses and other and other long-term assets, respectively, in the Condensed Consolidated Balance Sheet. As of October 29, 2011, the Company had total restricted cash, cash equivalents, and investments of \$66.6 million of which \$18.0 million and \$48.6 million were included in prepaid expenses and other and other long-term assets, respectively, in the Condensed Consolidated Balance Sheet. The classification between current and long-term is based on the timing of expected payments of the secured insurance obligations.

**Estimated fair value of financial instruments.** The carrying value of cash and cash equivalents, short- and long-term investments, restricted cash and cash equivalents, restricted investments, accounts receivable, other long-term assets, accounts payable, and other long-term liabilities approximates their estimated fair value. Cash and cash equivalents were \$623.8 million, \$649.8 million, and \$552.9 million at October 27, 2012, January 28, 2012, and October 29, 2011, respectively, and include bank deposits and money market funds for which the fair value was determined using quoted prices for identical assets in active markets, which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance.

**Sales Mix.** The Company's sales mix is shown below for the three and nine month periods ended October 27, 2012 and October 29, 2011 :

	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Ladies	29%	29%	30%	31%
Home accents and bed and bath	23%	24%	23%	24%
Accessories, lingerie, fine jewelry, and fragrances	14%	13%	13%	12%
Shoes	13%	13%	13%	13%
Men's	12%	12%	13%	12%
Children's	9%	9%	8%	8%
Total	100%	100%	100%	100%

**Dividends.** Dividends included in the Condensed Consolidated Statements of Cash Flows reflect dividends paid during the periods shown. Dividends per share reported on the Condensed Consolidated Statements of Earnings reflect dividends declared during the periods shown. In January, May, and August 2012, the Company's Board of Directors declared a quarterly cash dividend of \$0.14 per common share that was paid in March, June, and September 2012, respectively. In January, May, August, and November 2011, the Company's Board of Directors declared a quarterly cash dividend of \$0.11 per common share that was paid in March, June, September, and December 2011, respectively.

In November 2012, the Company's Board of Directors declared a cash dividend of \$0.14 per common share, payable on December 28, 2012.

**Revenue recognition.** The Company recognizes revenue at the point of sale and maintains an allowance for estimated future returns. Sales of gift cards are deferred until they are redeemed for the purchase of Company merchandise. The Company's gift cards do not have expiration dates. Based upon historical redemption rates, a small percentage of gift cards will never be redeemed, which represents breakage. The Company recognizes income from gift card breakage as a reduction of operating expenses when redemption by a customer is considered to be remote. Income recognized from breakage was not significant for the three and nine month periods ended October 27, 2012 and October 29, 2011. Sales tax collected is not recognized as revenue and is included in accrued expenses and other until paid.

**Provision for litigation costs and other legal proceedings.** Like many California retailers, the Company has been named in class action lawsuits alleging violation of wage and hour and other employment laws. Class action litigation remains pending as of October 27, 2012.

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

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

**Note B: Investments and Restricted Investments**

The amortized cost and fair value of the Company's available-for-sale securities as of October 27, 2012 were:

(\$000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short-term	Long-term
<b>Investments</b>						
Corporate securities	\$ 5,102	\$ 507	\$ (18)	\$ 5,591	\$ 1,413	\$ 4,178
Mortgage-backed securities	321	18	—	339	120	219
Total investments	5,423	525	(18)	5,930	1,533	4,397
<b>Restricted Investments</b>						
Corporate securities	1,358	52	—	1,410	1,290	120
U.S. government and agency securities	3,754	432	—	4,186	—	4,186
Total restricted investments	5,112	484	—	5,596	1,290	4,306
Total	\$ 10,535	\$ 1,009	\$ (18)	\$ 11,526	\$ 2,823	\$ 8,703

The amortized cost and fair value of the Company's available-for-sale securities as of January 28, 2012 were:

(\$000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short-term	Long-term
<b>Investments</b>						
Corporate securities	\$ 5,080	\$ 501	\$ (78)	\$ 5,503	\$ 401	\$ 5,102
Mortgage-backed securities	728	29	—	757	257	500
Total investments	5,808	530	(78)	6,260	658	5,602
<b>Restricted Investments</b>						
Corporate securities	1,357	94	—	1,451	—	1,451
U.S. government and agency securities	3,769	431	—	4,200	—	4,200
Total restricted investments	\$ 5,126	\$ 525	\$ —	\$ 5,651	\$ —	\$ 5,651
Total	10,934	1,055	(78)	11,911	658	11,253

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

(\$000)	Amortized	Unrealized	Unrealized	Fair value	Short-term	Long-term
	cost	gains	losses			
<b>Investments</b>						
Corporate securities	\$ 5,079	\$ 443	\$ (72)	\$ 5,450	\$ —	\$ 5,450
Mortgage-backed securities	800	32	—	832	298	534
Total investments	5,879	475	(72)	6,282	298	5,984
<b>Restricted Investments</b>						
Corporate securities	1,357	95	—	1,452	—	1,452
U.S. government and agency securities	3,774	325	—	4,099	—	4,099
Total restricted investments	5,131	420	—	5,551	—	5,551
Total	\$ 11,010	\$ 895	\$ (72)	\$ 11,833	\$ 298	\$ 11,535

Accounting standards pertaining to fair value measurements establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. This fair value hierarchy also requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Corporate, U.S. government and agency, and mortgage-backed securities are classified within Level 1 or Level 2 because these securities are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

Investments and restricted investments measured at fair value at October 27, 2012 are summarized below:

(\$000)	October 27, 2012	Fair Value Measurements at Reporting Date		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments</b>				
Corporate securities	\$ 5,591	\$ —	\$ 5,591	\$ —
Mortgage-backed securities	339	—	339	—
Total investments	5,930	—	5,930	—
<b>Restricted Investments</b>				
Corporate securities	1,410	—	1,410	—
U.S. government and agency securities	4,186	4,186	—	—
Total restricted investments	5,596	4,186	1,410	—
Total	\$ 11,526	\$ 4,186	\$ 7,340	\$ —

Investments and restricted investments measured at fair value at January 28, 2012 are summarized below:

(\$000)	January 28, 2012	Fair Value Measurements at Reporting Date		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments</b>				
Corporate securities	\$ 5,503	\$ —	\$ 5,503	\$ —
Mortgage-backed securities	757	—	757	—
Total investments	6,260	—	6,260	—
<b>Restricted Investments</b>				
Corporate securities	1,451	—	1,451	—
U.S. government and agency securities	4,200	4,200	—	—
Total restricted investments	5,651	4,200	1,451	—
Total	\$ 11,911	\$ 4,200	\$ 7,711	\$ —

Investments and restricted investments measured at fair value at October 29, 2011 are summarized below:

(\$000)	October 29, 2011	Fair Value Measurements at Reporting Date		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments</b>				
Corporate securities	\$ 5,450	\$ —	\$ 5,450	\$ —
Mortgage-backed securities	832	—	832	—
Total investments	6,282	—	6,282	—
<b>Restricted Investments</b>				
Corporate securities	1,452	—	1,452	—
U.S. government and agency securities	4,099	4,099	—	—
Total restricted investments	5,551	4,099	1,452	—
Total	\$ 11,833	\$ 4,099	\$ 7,734	\$ —

The future maturities of investment and restricted investment securities at October 27, 2012 were:

(\$000)	Investments		Restricted Investments	
	Cost basis	Estimated fair value	Cost basis	Estimated fair value
Maturing in one year or less	\$ 1,503	\$ 1,533	\$ 1,249	\$ 1,290
Maturing after one year through five years	2,821	3,040	253	268
Maturing after five years through ten years	1,099	1,357	3,610	4,038

<u>\$</u>	<u>5,423</u>	<u>\$</u>	<u>5,930</u>	<u>\$</u>	<u>5,112</u>	<u>\$</u>	<u>5,596</u>
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The underlying assets in the Company's non-qualified deferred compensation program totaling \$74.9 million, \$67.5 million and \$67.6 million as of October 27, 2012, January 28, 2012, and October 29, 2011, respectively (included in other long-term assets and in other long-term liabilities) primarily consist of participant-directed money market, stable value, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) totaled \$63.2 million, \$57.8 million, and \$57.7 million as of October 27, 2012, January 28, 2012, and October 29, 2011, respectively. The fair value measurement for funds without quoted market prices in active markets (Level 2) totaled \$11.7 million, \$9.7 million, and \$9.9 million as of October 27, 2012, January 28, 2012, and October 29, 2011, respectively. Fair market value for these Level 2 funds is considered to be the sum of participant funds invested under a group annuity contract plus accrued interest.

### Note C: Stock-Based Compensation

**Stock-based compensation.** For the three and nine month periods ended October 27, 2012 and October 29, 2011, the Company recognized stock-based compensation expense as follows:

	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
(\$000)				
Restricted stock	\$ 7,547	\$ 6,362	\$ 21,643	\$ 16,797
Performance awards	5,091	4,377	14,323	12,519
ESPP	502	392	1,414	1,095
Total	\$ 13,140	\$ 11,131	\$ 37,380	\$ 30,411

Total stock-based compensation recognized in the Company's Condensed Consolidated Statements of Earnings for the three and nine month periods ended October 27, 2012 and October 29, 2011 is as follows:

Statements of Earnings Classification (\$000)	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Cost of goods sold	\$ 6,457	\$ 4,954	\$ 17,434	\$ 13,110
Selling, general and administrative	6,683	6,177	19,946	17,301
Total	\$ 13,140	\$ 11,131	\$ 37,380	\$ 30,411

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

During the nine month period ended October 27, 2012, shares purchased by the Company for tax withholding totaled approximately 492,000 shares and are considered treasury shares which are available for reissuance. As of October 27, 2012, shares subject to repurchase related to unvested restricted stock totaled 4.8 million shares.

(000, except per share data)	Number of shares	Weighted average grant date fair value
Unvested at January 28, 2012	5,353	\$ 23.23
Awarded	900	49.81
Released	(1,448)	19.14
Forfeited	(37)	28.99
<b>Unvested at October 27, 2012</b>	<b>4,768</b>	<b>\$ 29.46</b>





The unamortized compensation expense for all plans at October 27, 2012 was \$83.5 million, which is expected to be recognized over a weighted-average remaining period of 2.0 years. The unamortized compensation expense for all plans at October 29, 2011 was \$74.3 million, which was expected to be recognized over a weighted-average remaining period of 2.1 years.

**Performance shares.** The Company has a performance share award program for senior executives. A performance share award represents a right to receive shares of restricted stock or restricted stock units on a specified settlement date based on the Company's attainment of a profitability-based performance goal during the performance period, which is the Company's fiscal year. If attained, the restricted stock or units then issued vest over a service period, generally two to three years from the date the performance award was granted. Shares related to restricted stock units earned are deferred for release generally one year from the date earned.

**Employee stock purchase plan.** Under the Employee Stock Purchase Plan ("ESPP"), eligible employees participating in the quarterly offering period can choose to have up to the lesser of 10% or \$21,250 of their annual base earnings withheld to purchase the Company's common stock. The purchase price of the stock is 85% of the closing market price on the date of purchase. Purchases occur on a quarterly basis (on the last trading day of each calendar quarter). The Company recognizes expense for ESPP purchase rights equal to the value of the 15% discount given on the purchase date.

**Stock option activity.** The following table summarizes stock option activity for the nine month period ended October 27, 2012:

(000, except per share data)	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 28, 2012	2,418	\$ 13.24		
Granted	—	—		
Exercised	(613)	11.97		
Forfeited	—	—		
<b>Outstanding at October 27, 2012, all vested</b>	<b>1,805</b>	<b>\$ 13.67</b>	<b>2.31</b>	<b>\$ 85,305</b>

No stock options were granted during the nine month periods ended October 27, 2012 and October 29, 2011.

The following table summarizes information about the weighted average remaining contractual life (in years) and the weighted average exercise prices for stock options both outstanding and exercisable as of October 27, 2012 (number of shares in thousands):

Exercise price range	Options outstanding and exercisable		
	Number of shares	Remaining life	Exercise price
\$ 8.45 to \$ 13.76	464	1.40	\$ 11.61
13.77 to 14.12	469	3.01	13.89
14.13 to 14.44	452	2.42	14.33
14.45 to 16.43	420	2.40	14.98
<b>\$ 8.45 to \$ 16.43</b>	<b>1,805</b>	<b>2.31</b>	<b>\$ 13.67</b>

## Note D: Earnings Per Share

Basic Earnings Per Share (“EPS”) is computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the sum of the weighted average number of common shares and dilutive common stock equivalents outstanding during the period. Diluted EPS reflects the total potential dilution that could occur from outstanding equity plan awards, including unexercised stock options, and unvested shares of both performance and non-performance based awards of restricted stock and restricted stock units.

For the three and nine month periods ended October 27, 2012 , approximately 7,700 and 35,200 weighted average shares, respectively, were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive in the period presented. For the three and nine month periods ended October 29, 2011 , approximately 800 and 2,600 weighted average shares, respectively, were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive in the period presented.

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

	Three Months Ended			Nine Months Ended		
	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS
Shares in (000s)						
<b>October 27, 2012</b>						
Shares	<b>218,583</b>	<b>3,602</b>	<b>222,185</b>	<b>219,917</b>	<b>3,679</b>	<b>223,596</b>
Amount	\$ <b>0.73</b>	\$ <b>(0.01)</b>	\$ <b>0.72</b>	\$ <b>2.50</b>	\$ <b>(0.04)</b>	\$ <b>2.46</b>
October 29, 2011						
Shares	224,540	3,920	228,460	227,125	3,980	231,105
Amount	\$ 0.64	\$ (0.01)	\$ 0.63	\$ 2.05	\$ (0.04)	\$ 2.01

## Note E: Debt

The Company has two series of unsecured senior notes with various institutional investors for \$150 million . The Series A notes totaling \$85 million are due in December 2018 and bear interest at a rate of 6.38% . The Series B notes totaling \$65 million are due in December 2021 and bear interest at a rate of 6.53% . The fair value of these notes as of October 27, 2012 of approximately \$182 million is estimated by obtaining comparable market quotes which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance. The senior notes are subject to prepayment penalties for early payment of principal.

In June 2012, the Company amended its existing \$600 million unsecured revolving credit facility. The amended credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 112.5 basis points) and is payable upon maturity but not less than quarterly. The Company had no borrowings outstanding or letters of credit issued under this facility as of October 27, 2012 . As of October 27, 2012 , the Company’s \$600 million credit facility remains in place and available.

Borrowings under the credit facility and the senior notes are subject to certain covenants, including interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of October 27, 2012 , the Company was in compliance with these covenants.

## **Note F: Taxes on Earnings**

As of October 27, 2012 and October 29, 2011 , the reserves for unrecognized tax benefits (net of federal tax benefits) were \$60.3 million and \$52.1 million inclusive of \$12.2 million and \$12.8 million of related interest, respectively. The Company accounts for interest and penalties related to unrecognized tax benefits as a part of its provision for taxes on earnings. If recognized, \$40.3 million would impact the Company's effective tax rate. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes.

During the next twelve months, it is reasonably possible that the statute of limitations may lapse pertaining to positions taken by the Company in prior year tax returns. If this occurs, the total amount of unrecognized tax benefits may decrease, reducing the provision for taxes on earnings by up to \$1.4 million .

The Company is generally open to audit by the Internal Revenue Service under the statute of limitations for fiscal years 2009 through 2011 . The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2007 through 2011 . Certain state tax returns are currently under audit by state tax authorities. The Company does not expect the results of these audits to have a material impact on the condensed consolidated financial statements.

## Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of October 27, 2012 and October 29, 2011, and the related condensed consolidated statements of earnings and comprehensive income for the three-month and nine-month periods ended October 27, 2012 and October 29, 2011, and of cash flows for the nine-month periods ended October 27, 2012 and October 29, 2011. These interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of January 28, 2012, 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 27, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of January 28, 2012, is fairly stated, in all material respects, in relation to the consolidated balance sheets from which it has been derived.

/s/Deloitte & Touche LLP

San Francisco, California  
December 5, 2012

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

This section and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part II, Item 1A (Risk Factors) below. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for 2011. All information is based on our fiscal calendar.

### Overview

Ross Stores, Inc. operates two brands of off-price retail apparel and home fashion stores -- Ross Dress for Less® ("Ross") and dd's DISCOUNTS®. Ross is the largest off-price apparel and home fashion chain in the United States with 1,097 locations in 33 states, the District of Columbia and Guam, as of October 27, 2012. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at everyday savings of 20% to 60% off department and specialty store regular prices. As of October 27, 2012, we also operate 108 dd's DISCOUNTS stores in eight states that feature a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at everyday savings of 20% to 70% off moderate department and discount store regular prices.

### Results of Operations

The following table summarizes the financial results for the three and nine month periods ended October 27, 2012 and October 29, 2011:

	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
<b>Sales</b>				
Sales (millions)	\$ 2,263	\$ 2,046	\$ 6,960	\$ 6,210
Sales growth	10.6%	9.2%	12.1%	8.6%
Comparable store sales growth	6%	5%	7%	5%
<b>Costs and expenses (as a percent of sales)</b>				
Cost of goods sold	72.9%	72.8%	72.1%	72.4%
Selling, general and administrative	15.8%	16.2%	15.1%	15.5%
Interest expense, net	0.1%	0.1%	0.1%	0.1%
<b>Earnings before taxes (as a percent of sales)</b>	11.2%	10.8%	12.8%	12.0%
<b>Net earnings (as a percent of sales)</b>	7.1%	7.0%	7.9%	7.5%

**Stores.** Our expansion strategy is to open additional stores based on market penetration, local demographic characteristics, competition, expected store profitability, and the ability to leverage overhead expenses. We continually evaluate opportunistic real estate acquisitions and opportunities for potential new store locations. We also evaluate our current store locations and determine store closures based on similar criteria.

	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
<b>Store Count</b>				
Beginning of the period	1,174	1,091	1,125	1,055
Opened in the period	31	39	82	80
Closed in the period	—	(4)	(2)	(9)
End of the period	<u>1,205</u>	<u>1,126</u>	<u>1,205</u>	<u>1,126</u>

**Sales.** Sales for the three month period ended October 27, 2012 increased \$216.3 million, or 11%, compared to the three month period ended October 29, 2011, due to the opening of 79 net new stores between October 29, 2011 and October 27, 2012 and a 6% increase in “comparable” store sales (defined as stores that have been open for more than 14 complete months) on top of a 5% gain in the prior year.

Sales for the nine month period ended October 27, 2012 increased \$750.0 million, or 12%, compared to the nine month period ended October 29, 2011, due to the opening of 79 net new stores between October 29, 2011 and October 27, 2012 and an increase in comparable store sales of 7% on top of a 5% gain in the prior year.

Our sales mix for the three and nine month periods ended October 27, 2012 and October 29, 2011 is shown below:

	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Ladies	29%	29%	30%	31%
Home accents and bed and bath	23%	24%	23%	24%
Accessories, lingerie, fine jewelry, and fragrances	14%	13%	13%	12%
Shoes	13%	13%	13%	13%
Men's	12%	12%	13%	12%
Children's	9%	9%	8%	8%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

We intend to address the competitive climate for off-price apparel and home goods by pursuing and refining our existing strategies and by continuing to strengthen our organization, diversify our merchandise mix, and more fully develop our organization and systems to improve regional and local merchandise offerings. Although our strategies and store expansion program contributed to sales gains for the three and nine month periods ended October 27, 2012, we cannot be sure that they will result in a continuation of sales growth or in an increase in net earnings.

**Cost of goods sold.** Cost of goods sold for the three and nine month periods ended October 27, 2012 increased \$158.8 million and \$522.0 million compared to the same periods in the prior year mainly due to increased sales from the opening of 79 net new stores between October 29, 2011 and October 27, 2012 and a 6% and 7% increase in comparable store sales, respectively.

Cost of goods sold as a percentage of sales for the three month period ended October 27, 2012 increased about five basis points over the prior year. The slight increase in cost of goods sold consisted of 30 basis points of higher merchandise margin, 15 basis points of leverage on occupancy costs, and distribution expenses that declined approximately 45 basis points. The latter was mainly due to favorable timing of packaway-related processing costs.

These improvements were offset by 45 basis points from a lower shortage benefit than the prior year and buying and

freight expenses that increased 25 basis points each.

Cost of goods sold as a percentage of sales for the nine month period ended October 27, 2012 decreased approximately 30 basis points from the same period in the prior year. This improvement was due primarily to a 30 basis point increase in merchandise gross margin inclusive of inventory shortage and 20 basis points of leverage on occupancy costs. Distribution expenses as a percent of sales also declined approximately 25 basis points compared to the prior year period, due in part to the timing of packaway-related processing costs. These favorable items were partially offset by increases in buying and freight costs of 30 and 15 basis points, respectively.

We cannot be sure that the gross profit margins realized for the three and nine month periods ended October 27, 2012 will continue in the future.

**Selling, general and administrative expenses.** For the three and nine month periods ended October 27, 2012, selling, general and administrative expenses increased \$25.8 million and \$85.6 million compared to the same periods in the prior year, mainly due to increased store operating costs reflecting the opening of 79 net new stores between October 29, 2011 and October 27, 2012.

Selling, general and administrative expenses as a percentage of sales for the three and nine month periods ended October 27, 2012 decreased by approximately 40 and 45 basis points, respectively, over the same periods in the prior year primarily due to leverage on store operating costs from the strong gains in comparable store sales.

**Interest expense, net.** Net interest expense as a percentage of sales remained flat for the three and nine month periods ended October 27, 2012 compared to the same periods in the prior year.

**Taxes on earnings.** Our effective tax rate for the three month periods ended October 27, 2012 and October 29, 2011 was approximately 37% and 35%, respectively. The effective tax rate for the three months ended October 29, 2011 was impacted by favorable resolution of certain tax positions. Our effective tax rate for the nine month periods ended October 27, 2012 and October 29, 2011 was approximately 38%, and represents the applicable combined federal and state statutory rates reduced by the federal benefit of state taxes deductible on federal returns. The effective rate is impacted by changes in law, location of new stores, level of earnings, and the resolution of tax positions with various taxing authorities. We anticipate that our effective tax rate for fiscal 2012 will be approximately 38%.

**Earnings per share.** Diluted earnings per share for the three month period ended October 27, 2012 was \$0.72 compared to \$0.63 in the prior year period. The 14% increase in diluted earnings per share is attributable to an 11% increase in net earnings and a 3% reduction in weighted average diluted shares outstanding, largely due to the repurchase of common stock under our stock repurchase program. Diluted earnings per share for the nine month period ended October 27, 2012 was \$2.46 compared to \$2.01 in the prior year period. The 22% increase in diluted earnings per share is attributable to an 18% increase in net earnings and a 3% reduction in weighted average diluted shares outstanding largely due to the stock buyback program.

All share and per share amounts have been adjusted for the two-for-one stock split effective December 15, 2011.

## Financial Condition

### Liquidity and Capital Resources

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

(\$000)	Nine Months Ended	
	October 27, 2012	October 29, 2011
Cash provided by operating activities	\$ 646,270	\$ 413,691
Cash used in investing activities	(256,959)	(286,889)
Cash used in financing activities	(415,324)	(407,802)
Net decrease in cash and cash equivalents	\$ (26,013)	\$ (281,000)





## Operating Activities

Net cash provided by operating activities was \$646.3 million and \$413.7 million for the nine month periods ended October 27, 2012 and October 29, 2011, respectively. Cash provided by operating activities for the nine month periods ended October 27, 2012 and October 29, 2011 were primarily driven by net earnings excluding non-cash expenses for depreciation and amortization. Our primary source of operating cash flow is the sale of our merchandise inventory. We regularly review the age and condition of our merchandise and are able to maintain current merchandise inventory in our stores through replenishment processes and liquidation of slower-moving merchandise through clearance markdowns.

The change in total merchandise inventory, net of the change in accounts payable, resulted in a use of cash of approximately \$56 million for the nine months ended October 27, 2012, compared to a use of cash of approximately \$128 million for the nine months ended October 29, 2011. Accounts payable leverage (defined as accounts payable divided by merchandise inventory) was 66%, 67%, and 62% as of October 27, 2012, January 28, 2012, and October 29, 2011, respectively. Changes in accounts payable leverage are primarily driven by timing of packaway receipts.

We expect to continue to take advantage of packaway inventory opportunities to deliver bargains to our customers. As a regular part of our business, packaway inventory levels will vary over time based on availability of compelling opportunities in the marketplace. Packaway merchandise is purchased with the intent that it will be stored in our warehouses until a later date. The timing of the release of packaway inventory to our stores is principally driven by the product mix and seasonality of the merchandise, and its relation to our store merchandise assortment plans. As such, the aging of packaway varies by merchandise category and seasonality of purchase, but typically packaway remains in storage less than six months.

Changes in packaway inventory levels impact our operating cash flow. As of October 27, 2012, packaway inventory was 46% of total inventory compared to 49% at the end of fiscal 2011. At the end of the third quarter for fiscal 2011, packaway inventory was 43% of total inventory compared to 47% at the end of fiscal 2010.

## Investing Activities

Net cash used in investing activities was approximately \$257.0 million and \$286.9 million for the nine month periods ended October 27, 2012 and October 29, 2011, respectively. The decrease in cash used for investing activities for the nine month period ended October 27, 2012, compared to the nine month period ended October 29, 2011 was primarily due to a transfer of funds in the second quarter of 2011 into restricted accounts to serve as collateral for our insurance obligations, partially offset by higher capital expenditures during the nine month period ended October 27, 2012.

Our capital expenditures were approximately \$255.3 million and \$231.3 million, for the nine month periods ended October 27, 2012 and October 29, 2011, respectively. Our capital expenditures include costs for fixtures and leasehold improvements to open new stores and improve existing stores, costs to implement information technology systems, build or expand distribution centers, and various other expenditures related to our stores, distribution centers, buying, and corporate offices. We opened 82 and 80 new stores on a gross basis during the nine month periods ended October 27, 2012 and October 29, 2011, respectively. Our buying offices, our corporate headquarters, one distribution center, one trailer parking lot, three warehouse facilities, and all but three of our store locations are leased and, except for certain leasehold improvements and equipment, do not represent capital investments.

We are forecasting approximately \$430 million to \$440 million of capital expenditures in fiscal year 2012 to fund fixtures and leasehold improvements to open both new Ross and dd's DISCOUNTS stores, for the upgrade or relocation of existing stores, for investments in information technology systems, to build or expand distribution centers, and for various other expenditures related to our stores, distribution centers, buying and corporate offices. We expect to fund these expenditures with available cash and cash flows from operations.

We purchased \$0.4 million of investments for the nine month period ended October 27, 2012. We had no purchases of investments for the nine month period ended October 29, 2011. We had proceeds from investments of \$0.8 million and \$11.0 million for the nine month periods ended October 27, 2012 and October 29, 2011, respectively.



## Financing Activities

Net cash used in financing activities was \$415.3 million and \$407.8 million for the nine month periods ended October 27, 2012 and October 29, 2011 . For the nine month periods ended October 27, 2012 and October 29, 2011 , our liquidity and capital requirements were provided by available cash and cash flows from operations.

We repurchased 5.4 million and 9.0 million shares of common stock for aggregate purchase prices of approximately \$334.4 million and \$342.7 million during the nine month periods ended October 27, 2012 , and October 29, 2011 , respectively. In January 2011, our Board of Directors approved a two-year \$900 million stock repurchase program for fiscal 2011 and 2012.

For the nine month periods ended October 27, 2012 and October 29, 2011 , we paid dividends of \$94.6 million and \$77.0 million, respectively.

Short-term trade credit represents a significant source of financing for merchandise inventory. Trade credit arises from customary payment terms and trade practices with our vendors. We regularly review the adequacy of credit available to us from all sources and expect to be able to maintain adequate trade, bank, and other credit lines to meet our capital and liquidity requirements, including lease payment obligations in 2012.

In June 2012, we amended our existing \$600 million unsecured revolving credit facility. The amended credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 112.5 basis points) and is payable upon maturity but not less than quarterly. We had no borrowings or letters of credit outstanding on this facility as of October 27, 2012 and October 29, 2011 , respectively. As of October 27, 2012 , our \$600 million credit facility remains in place and available.

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

## Contractual Obligations

The table below presents our significant contractual obligations as of October 27, 2012 :

(\$000)	Less than one year	1 - 3 years	3 - 5 years	After 5 years	Total <sup>1</sup>
Senior notes	\$ —	\$ —	\$ —	\$ 150,000	\$ 150,000
Interest payment obligations	9,668	19,335	19,335	26,026	74,364
Operating leases:					
Rent obligations	386,428	726,310	504,576	487,612	2,104,926
Synthetic leases	3,253	—	—	—	3,253
Other synthetic lease obligations	56,791	—	—	—	56,791
Purchase obligations	1,603,862	3,017	82	—	1,606,961
Total contractual obligations	\$ 2,060,002	\$ 748,662	\$ 523,993	\$ 663,638	\$ 3,996,295

<sup>1</sup> We have a \$60.3 million liability for unrecognized tax benefits that is included in other long-term liabilities on our interim condensed consolidated balance sheet. This liability is excluded from the schedule above as the timing of payments cannot be reasonably estimated.

**Senior notes.** We have two series of unsecured senior notes with various institutional investors for \$150 million. The Series A notes totaling \$85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling \$65 million are due in December 2021 and bear interest at a rate of 6.53%. Interest on these notes is included in Interest payment obligations in the table above. These notes are subject to prepayment penalties for early payment of principal.

Borrowings under these notes are subject to certain operating and financial covenants, including interest coverage and other financial ratios. As of October 27, 2012 , we were in compliance with these covenants.



## Off-Balance Sheet Arrangements

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

We have lease arrangements for certain equipment in our stores for our point-of-sale (“POS”) hardware and software systems. These leases are accounted for as operating leases for financial reporting purposes. The initial terms of these leases are either two or three years, and we typically have options to renew the leases for two to three one-year periods. Alternatively, we may purchase or return the equipment at the end of the initial or each renewal term. We have guaranteed the value of the equipment of \$0.8 million at the end of the respective initial lease terms, which is included in Other synthetic lease obligations in the table above.

We lease a 1.3 million square foot distribution center in Perris, California. The land and building for this distribution center are financed by the lessor under a \$70 million, ten-year synthetic lease that expires in July 2013. Rent expense on this center is payable monthly at a fixed annual rate of 5.8% on the lease balance of \$70 million. At the end of the lease term, we have the option to either refinance the \$70 million synthetic lease facility, purchase the distribution center at the amount of the then-outstanding lease obligation, or arrange a sale of the distribution center to a third party. If the distribution center is sold to a third party for less than \$70 million, we have agreed under a residual value guarantee to pay the lessor any shortfall amount up to \$56 million. The synthetic lease agreement includes a prepayment penalty for early payoff of the lease. Our contractual obligation of \$56 million is included in Other synthetic lease obligations in the above table. We intend to purchase this distribution center at the expiration of the lease in 2013.

We have also recognized a liability and corresponding asset for the inception date estimated fair values of the distribution center and POS synthetic lease residual value guarantees. As of October 27, 2012, we have approximately \$0.7 million of residual value guarantee asset and liability. These residual value guarantees are amortized on a straight-line basis over the original terms of the leases. The current portion of the related asset and liability is recorded in prepaid expenses and accrued expenses, respectively, and the long-term portion of the related assets and liabilities is recorded in other long-term assets and other long-term liabilities, respectively, in the accompanying condensed consolidated balance sheets.

We lease three warehouses. Two of the warehouses are in Carlisle, Pennsylvania with leases expiring in 2014 and 2016. The third warehouse is in Fort Mill, South Carolina, with a lease expiring in 2016. We also own a 423,000 square foot warehouse in Fort Mill, South Carolina and a 449,000 square foot warehouse in Riverside, California. All five of these warehouses are used to store our packaway inventory. We also lease a 10-acre parcel that has been developed for trailer parking adjacent to our Perris, California distribution center expiring in 2017.

We lease approximately 192,000 square feet of office space for our corporate headquarters in Pleasanton, California, under several facility leases. The terms for these leases expire between 2014 and 2015 and contain renewal provisions.

We lease approximately 265,000 and 52,000 square feet of office space for our New York City and Los Angeles buying offices, respectively. The lease terms for these facilities expire in 2022 and 2017, respectively, and contain renewal provisions.

**Purchase obligations.** As of October 27, 2012 we had purchase obligations of approximately \$1,607 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to construction projects, store fixtures and supplies, and information technology service and maintenance contracts. Merchandise inventory purchase orders of \$1,440 million represent purchase obligations of less than one year as of October 27, 2012.

## Commercial Credit Facilities

The table below presents our significant available commercial credit facilities at October 27, 2012 :

(\$000)	Amount of Commitment Expiration Per Period				Total amount committed
	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	
Revolving credit facility	\$ —	\$ —	\$ 600,000	\$ —	\$ 600,000
Total commercial commitments	\$ —	\$ —	\$ 600,000	\$ —	\$ 600,000

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

**Revolving credit facility.** In June 2012, we amended our existing \$600 million unsecured revolving credit facility. The amended credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 112.5 basis points) and is payable upon maturity but not less than quarterly. Our borrowing ability under this credit facility is subject to our maintaining certain financial ratios. As of October 27, 2012 we had no borrowings outstanding or letters of credit issued under this facility and were in compliance with the covenants.

The synthetic lease facilities described above, as well as our revolving credit facility and senior notes, have covenant restrictions requiring us to maintain certain interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of October 27, 2012 we were in compliance with these covenants.

**Standby letters of credit and collateral trust.** We use standby letters of credit outside of our revolving credit facility in addition to a funded trust to collateralize our insurance obligations. As of October 27, 2012 and October 29, 2011 , we had \$33.8 million and \$45.5 million, respectively, in standby letters of credit outstanding which are collateralized by restricted cash and cash equivalents and \$34.9 million and \$21.1 million, respectively, in a collateral trust consisting of restricted cash, cash equivalents, and investments.

**Trade letters of credit.** We had \$53.6 million and \$38.7 million in trade letters of credit outstanding at October 27, 2012 and October 29, 2011 , respectively.

**Dividends.** In November 2012, our Board of Directors declared a cash dividend of \$.14 per common share, payable on December 28, 2012.

## Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on various other factors that management believes to be reasonable. Actual results may differ significantly from these estimates. During the third quarter of fiscal 2012, there have been no significant changes to the policies discussed in our Annual Report on Form 10-K for the year ended January 28, 2012.

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

## Forward-Looking Statements

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





“estimate,” “believe,” “forecast,” “projected,” “guidance,” “looking ahead” and similar expressions identify forward-looking statements.

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

Other risk factors are detailed in our filings with the Securities and Exchange Commission including, without limitation, our Annual Report on Form 10-K for 2011.

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

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

We occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no outstanding forward contracts as of October 27, 2012 .

Interest that is payable on our revolving credit facility is based on variable interest rates and is, therefore, affected by changes in market interest rates. As of October 27, 2012 , we had no borrowings outstanding under our revolving credit facility. In addition, lease payments under certain of our synthetic lease agreements are determined based on variable interest rates and are, therefore, affected by changes in market interest rates.

In addition, we have two outstanding series of unsecured notes held by institutional investors: Series A for \$85 million accrues interest at 6.38% and Series B for \$65 million accrues interest at 6.53%. The amount outstanding under these notes as of October 27, 2012 was \$150 million.

Interest is receivable on our short- and long-term investments. Changes in interest rates may impact interest income recognized in the future, or the fair value of our investment portfolio.

A hypothetical 100 basis point increase or decrease in prevailing market interest rates would not have a material impact on our consolidated financial position, results of operations, cash flows, or the fair values of our short- and long-term investments as of and for the three month period ended October 27, 2012 . We do not consider the potential losses in future earnings and cash flows from reasonably possible, near-term changes in interest rates to be material.

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

#### **Disclosure Controls and Procedures**

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

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

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the third fiscal quarter of 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our management concluded that there was no such change during the 2012 third fiscal quarter.

## **PART II – OTHER INFORMATION**

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

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

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

Our Quarterly Report on Form 10-Q for our third fiscal quarter of 2012, and information we provide in our press releases, telephonic reports, and other investor communications, including those on our corporate website, may contain forward-looking statements with respect to anticipated future events and our projected financial performance, operations, and competitive position that are subject to risks and uncertainties that could cause our actual results to differ materially from those forward-looking statements and our prior expectations and projections. Refer to Management’s Discussion and Analysis for a more complete identification and discussion of “Forward-Looking Statements.”

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

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

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

- An increase in the level of competitive pressures in the apparel or home-related merchandise industry.
- Changes in the level of consumer spending on or preferences for apparel or home-related merchandise.
- The impact from the macro-economic environment and financial and credit markets including but not limited to interest rates, recession, inflation, deflation, energy costs, tax rates and policy, unemployment trends, and fluctuating commodity costs.
- Changes in geopolitical and geoeconomic conditions.
- Unseasonable weather trends that could affect consumer demand for seasonal apparel and apparel-related products.
- A change in the availability, quantity, or quality of attractive brand name merchandise at desirable discounts that could impact our ability to purchase product and continue to offer customers a wide assortment of merchandise at competitive prices.
- Potential disruptions in the supply chain that could impact our ability to deliver product to our stores in a timely and cost-effective manner.
- A change in the availability, quality, or cost of new store real estate locations.
- A downturn in the economy or a natural disaster in California or in another region where we have a concentration of stores or a distribution center. Our corporate headquarters, Los Angeles buying office, two distribution centers, one warehouse, and 25% of our stores are located in California.



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

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

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

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Information regarding shares of common stock we repurchased during the third quarter of fiscal 2012 is as follows:

<b>Period</b>	<b>Total number of shares (or units) purchased <sup>1</sup></b>	<b>Average price paid per share (or unit)</b>	<b>Total number of shares (or units) purchased as part of publicly announced plans or programs</b>	<b>Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (\$000) <sup>2</sup></b>
August (7/29/2012 - 8/25/2012)	401,830	\$68.57	365,575	\$201,100
September (8/26/2012 - 9/29/2012)	720,747	\$66.82	715,015	\$153,400
October (9/30/2012 - 10/27/2012)	628,046	\$62.14	607,789	\$115,600
<b>Total</b>	<b>1,750,623</b>	<b>\$65.54</b>	<b>1,688,379</b>	<b>\$115,600</b>

<sup>1</sup> We purchased 62,244 of these shares during the quarter ended October 27, 2012 from employees for tax withholding purposes related to vesting of restricted stock grants. All remaining shares were repurchased under our publicly announced stock repurchase program.

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

## **ITEM 6. EXHIBITS**

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

## SIGNATURES

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

**ROSS STORES, INC.**

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

Date: December 5, 2012

By: /s/J. Call

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

Group Senior Vice President, Chief  
Financial Officer and Principal  
Accounting Officer

## INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Amendment of Certificate of Incorporation dated May 21, 2004 and Amendment of Certificate of Incorporation dated June 5, 2002 and Corrected First Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores for its quarter ended July 31, 2004.
3.2	Amended and Restated By-laws, as last amended November 16, 2011, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 29, 2011.
3.3	Amendment of Certificate of Incorporation dated July 18, 2011 incorporated by reference to Exhibit 3.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2011.
10.1	Employment Agreement dated August 15, 2012 and effective June 1, 2012 between Michael Balmuth and Ross Stores, Inc.
10.2	Notice of Grant of Restricted Stock Units pursuant to the Ross Stores, Inc. 2008 Equity Incentive Plan to Michael Balmuth on August 15, 2012.
15	Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated December 5, 2012.
31.1	Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
31.2	Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

## EXHIBIT 10.1

### EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of June 1, 2012, by and between Ross Stores, Inc. (the "Company") and Michael Balmuth (the "Executive"). The Executive is presently employed by the Company as its Vice Chairman of the Board of Directors of the Company (the "Board") and Chief Executive Officer, and it is now the intention for the Company and the Executive to enter into a written employment agreement to restate and further amend the terms of the employment agreement as previously in effect between the Company and the Executive. Accordingly, the Company and the Executive hereby agree as follows:

1. Term. The employment of the Executive by the Company will continue as of the date hereof and end on May 31, 2016, unless extended or terminated in accordance with this Agreement.
  2. Position and Duties. The Executive shall continue to serve as the Vice Chairman of the Board and Chief Executive Officer of the Company, with overall responsibility for its corporate policy making, organization and operation, and accomplishment of its plans and objectives, through and until May 31, 2014. On June 1, 2014, the Executive will cease to hold the office of Chief Executive Officer, but will continue to serve as an employee, an executive officer of the Company, and Chairman of the Board, with the title Executive Chairman of the Board, from June 1, 2014 through May 31, 2016. In his role as Executive Chairman, the Executive (i) will assist in the transition of the incoming Chief Executive Officer and advise senior management on strategy, and (ii) in addition, the presidents of the Company's real estate department and dd's Discounts will report to the Executive during his term as Executive Chairman, except as otherwise determined by the Board and agreed to by the Executive. The Executive shall report directly to the Board. 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.
  3. Place of Performance. The Executive shall be employed at the Company's New York buying office, except for required travel on the Company's business to an extent substantially consistent with present business travel obligations.
  4. Compensation and Related Matters.
    - (a) Salary. During his employment, the Company shall pay the Executive a base salary at a rate of not less than (i) One Million Two Hundred Nine Thousand Dollars (\$1,209,000) per annum during the period from the effective date of this Agreement through May 31, 2014, and thereafter (ii) One Million Dollars (\$1,000,000) per annum during the period from June 1, 2014 through May 31, 2016. The base 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 base salary may be adjusted from time to time by the Board in accordance with normal business practices of the Company. In addition, during his employment, the Company shall pay the Executive each year an amount ("Premium Payment") equal to the sum of: (i) the total premiums for such year on certain life insurance policies held in an irrevocable life insurance trust established by the Executive, with an aggregate face value of \$12 million; and (ii) an amount necessary to gross-up Executive for any federal, state and local income tax liability attributable to the premium amounts. The Premium Payment shall be adjusted each year to reflect changes in the annual premiums with respect to such policies.
    - (b) Change of Control. In the event of a Change of Control (as defined below), the Executive shall immediately become vested in any shares of restricted stock granted to the Executive by the Company prior to May 1, 2012 which had not vested prior to the Change in Control in accordance with
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the terms of the applicable stock grant agreements. A “ Change of Control ” shall be deemed to have occurred if: (1) any person or group (within the meaning of Rule 13d-3 of the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended) shall acquire during the twelve-month period ending on the date of the most recent acquisition by such person or group, in one or a series of transactions, whether through sale of stock or merger, ownership of stock of the Company that constitutes 35% or more of the total fair market value or total voting power of the stock of the Company or any successor to the Company; (2) a merger in which the Company is a party to a merger, after which merger the stockholders of the Company immediately prior to the merger do not retain, directly or indirectly, beneficial ownership of stock that constitutes at least a majority of the total fair market value or total voting power of the stock of the surviving entity; or (3) all or substantially all of the Company’s assets are sold, exchanged, or transferred (other than a sale, exchange, or transfer to one or more corporations where the stockholders of the Company before and after such sale, exchange, or transfer, directly or indirectly, are the beneficial owners of at least a majority of the voting stock of the corporation(s) to which the assets were transferred).

(c) Bonus . During his employment, the Company shall continue to pay the Executive an annual bonus in accordance with the terms of the existing bonus incentive plan that covers the Executive (or any replacement plan of substantially equivalent or greater value that may subsequently be established by the Board and is in effect at the time for such action), provided however, that during his employment as Executive Chairman, such bonus shall be at a target rate of 85 percent of the base salary of the Executive, and otherwise determined in accordance with such bonus incentive plan.

(d) 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.

(e) Other Benefits . The Executive shall be entitled to continue to participate in all of the Company’s employee benefit plans and arrangements in effect on the date hereof in which the Executive now participates (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). In addition, the Company shall continue to provide Executive with the matching of Executive’s 401(k) and supplemental 401(k) contributions. The Company shall not make any changes in such plans or arrangements which would adversely affect the Executive’s rights or benefits thereunder, unless such change occurs pursuant to a program applicable to all senior executives of the Company and does not result in a proportionately greater reduction in the rights or benefits of the Executive as compared with any other senior executive of the Company. During his employment, 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 subparagraphs (a), (b) and (c).

(f) 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.

(g) 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 during the term of this Agreement and for a period of six months following the date of any termination, except for termination as described in paragraphs 7(a) [Death] or 7(c) [Cause]. Upon mutual agreement between the Company and the Executive, the office space furnished during the six-month period following termination may be at a location other than the Company's New York buying office.

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

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

Tax imposed on such Payments or if a Repayment Amount of more than zero would not maximize the net amount received by the Executive from the Payments. If the Excise Tax is not eliminated pursuant to this Section, the Executive shall pay the Excise Tax.

(i) Lifetime Benefits. The Executive and his spouse shall be entitled to continue, until their respective deaths, to participate (at no cost to the Executive and his spouse) in the following Company employee benefit plans and arrangements (or other benefit plans or arrangements providing substantially similar benefits) in which the Executive participates on the date hereof: executive medical, executive dental, executive vision and behavioral health insurance; health advisory services; life insurance; accidental death and dismemberment insurance; business travel insurance; and group excess personal liability insurance (collectively, "Benefits"); and the Company shall annually pay to the Executive for as long as he lives an amount equal to the maximum employer matching contribution permitted under the terms and limits of the Company's 401(k) plan in effect during the year of such payment (assuming the Executive remained employed with the Company and made the maximum contribution to such plan permitted by law), grossed up to reflect the pretax nature of a 401(k) contribution (the "Matching Contribution"). Subject to the last sentence of this paragraph 4(i), the Company shall not make any changes in such plans or arrangements that 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 generally with the other senior executive of the Company. For purposes of this paragraph, in the event of a Change of Control, as defined in paragraph 4(b) of this Agreement, the "Company" shall include any other entity that is a successor to the Company, whether by merger, consolidation, liquidation, as a result of the sale, exchange or transfer of all or substantially all of the Company's assets, or otherwise, and the provisions of this paragraph shall continue to be binding on and shall be performed by such successor for the benefit of the Executive and his spouse and their heirs and successors. Further, in the event of any such Change of Control the "senior executives of the Company" referred to in this paragraph shall mean the senior executives who are members of its (or a successor entity's) executive committee, or equivalent, or, if there is no such committee, who hold the most senior rank in the successor entity. Notwithstanding the foregoing, the Executive and his spouse will be entitled to continue to receive until their respective deaths, at no cost on an after-tax basis to the Executive and his spouse, all benefits (or their cash equivalent, which together with any applicable tax gross-up shall be paid to the Executive (or his spouse, if she survives the Executive) during the 60-day period immediately following the applicable year) available to the Executive as of June 1, 2012, including those benefits enumerated in paragraphs 4(i) and 4(j) herein, provided that the level of medical, dental and vision coverage shall in no event be less than the greater of (i) the level of such coverage provided to the Company's Chief Executive Officer during the year such coverage is provided and (ii) the level of such coverage provided to the Executive and his spouse as of June 1, 2012.

(j) Estate and Financial Planning. Until his death, the Executive shall be reimbursed by the Company for any estate and financial planning fees or expenses actually incurred by the Executive, up to a maximum annual reimbursement of \$20,000; provided, however, that such annual limit shall be increased from time to time consistent with increases in similar benefits provided to the then current Chief Executive Officer of the Company. Such fees and expenses shall be reimbursed to the Executive on or before the last day of the fiscal year of the Company in which such fees or expenses are incurred, provided that the Executive has timely submitted expense documentation in support of such reimbursement.

(k) Restricted Stock Award- 2010. The Executive was previously granted a restricted stock award with a face value of Four Million Eight Hundred Thousand Dollars (\$4,800,000), for which the number of shares awarded (the "2010 RS Grant") was determined based on the Company's stock price at the close of the market on March 17, 2010 as reported on the NASDAQ Stock Market (the "NASDAQ"). Except as otherwise provided by this Agreement and in the Restricted Stock Agreement applicable to the 2010 RS Grant, the shares subject to the 2010 RS Grant will "cliff" vest in full (100%) on March 18, 2013, provided the Executive continues service with the Company through such date. The

terms and conditions of the 2010 RS Grant are as previously set forth in the applicable Notice of Grant of Award, the Ross Stores, Inc. Restricted Stock Agreement (the "Restricted Stock Agreement"), and the Ross Stores, Inc. 2008 Equity Incentive Plan (the "2008 Equity Incentive Plan").

(l) Performance Share Award - 2010. The Executive previously received for the fiscal year ended on January 29, 2011 a target number of Performance Shares equal to Three Million Dollars (\$3,000,000) divided by the closing market price of a share of the Company's stock on March 17, 2010 as reported on the NASDAQ (the "2010 PS Grant"). The 2010 PS Grant represented the right to receive Common Shares of Company stock determined by the extent to which the target level of adjusted pretax profit for the fiscal year ending January 29, 2011, approved by the Compensation Committee of the Board, was attained and certified by the Compensation Committee. The Company issued, based on performance attained, Unvested Common Shares of Company stock in settlement of 2010 PS Grant on the Settlement Date of March 21, 2011. Except as otherwise provided in the applicable Performance Share Agreement, Unvested Common Shares issued in settlement of the 2010 PS Grant shall vest and become Vested Common Shares on January 14, 2013, provided the Executive continues service with the Company through such date. The terms and conditions of the 2010 PS Grant are as previously set forth in the Notice of Grant of Performance Shares, the Ross Stores, Inc. Performance Share Agreement (the "Performance Share Agreement") and the 2008 Equity Incentive Plan. Capitalized terms in this paragraph 4(l) shall have the same meanings assigned to such terms in the Performance Share Agreement.

(m) Restricted Stock Award - 2011. The Executive was previously granted a restricted stock award with a face value of Five Million Five Hundred Thousand Dollars (\$5,500,000), for which the number of shares awarded (the "2011 RS Grant") was determined based on the Company's stock price at the close of the market on May 18, 2011 as reported on the NASDAQ. Except as otherwise provided by this Agreement and in the Restricted Stock Agreement applicable to the 2011 RS Grant, the shares subject to the 2011 RS Grant will "cliff" vest in full (100%) on May 26, 2014, provided the Executive continues service with the Company through such date. The terms and conditions of the 2011 RS Grant are as previously set forth in the applicable Notice of Grant of Award, the Restricted Stock Agreement, and the 2008 Equity Incentive Plan. The term "restricted stock" in this Agreement shall mean shares of stock granted under the terms of the 2010 RS Grant and under the 2011 RS Grant.

(n) Performance Share Award - 2011. The Executive previously received for the fiscal year ended on January 28, 2012 a target number of Performance Shares equal to Three Million Dollars (\$3,000,000) divided by the closing market price of a share of the Company's stock on March 16, 2011 as reported on the NASDAQ (the "2011 PS Grant"). The 2011 PS Grant represents the right to receive Common Shares of Company stock determined by the extent to which the target level of adjusted pretax profit for the fiscal year ending January 28, 2012, approved by the Compensation Committee of the Board, was attained and certified by the Compensation Committee. Except as otherwise provided in the applicable Performance Share Agreement, the Company shall issue, based on performance attained, Unvested Common Shares of the Company's stock in settlement of the 2011 PS Grant on the Settlement Date of January 13, 2014. Except as otherwise provided in the applicable Performance Share Agreement, Unvested Common Shares issued in settlement of the 2011 PS Grant, shall vest on February 2, 2013. The terms and conditions of the 2011 PS Grant are as previously set forth in the Notice of Grant of Performance Shares, the Performance Share Agreement, and the 2008 Equity Incentive Plan. Capitalized terms in this paragraph 4(n) shall have the same meanings assigned to such terms in the Performance Share Agreement.

(o) Performance Share Award - 2012. The Executive received for the fiscal year ending on February 2, 2013 a target number of Performance Shares equal to Three Million Dollars (\$3,000,000) divided by the closing market price of a share of the Company's stock on March 14, 2012 as reported on the NASDAQ (the "2012 PS Grant"). The 2012 PS Grant represents the right to receive Common Shares of Company stock determined by the extent to which the target level of adjusted pretax profit for the fiscal year ending February 2, 2013, approved by the Compensation Committee of the

Board, has been attained and certified by the Compensation Committee. Except as otherwise provided in the applicable Performance Share Agreement, the Company shall issue, based on performance attained, Common Shares of the Company's stock in settlement of the 2012 PS Grant on the Settlement Date of March 23, 2015. Except as otherwise provided in the applicable Performance Share Agreement, the Performance Shares earned, if any, shall vest on May 30, 2014. The terms and conditions of the 2012 PS Grant are as previously set forth in the Notice of Grant of Performance Shares, the Performance Share Agreement, and the 2008 Equity Incentive Plan. Capitalized terms in this paragraph 4(o) shall have the same meanings assigned to such terms in the Performance Share Agreement. The Company shall continue to consider annually additional grants of Performance Shares to the Executive and shall determine the value of performance share award targets consistent with the existing practice of the Company.

(p) Restricted Stock Unit Award - 2012. On August 15, 2012, the Board shall grant, or shall have granted, to Executive a restricted stock unit award for that number of units determined by dividing Four Million Dollars (\$4,000,000) by the closing market price of a share of the Company's stock on August 15, 2012 as reported on the NASDAQ (the "2012 RSU Grant"). Except as otherwise provided by this Agreement, the 2012 RSU Grant will vest 25 percent on May 31, 2014, 25 percent on May 31, 2015 and 50 percent on May 31, 2016, provided the Executive continues service with the Company through such dates. To the extent vested, restricted stock units under the 2012 RSU Grant shall be settled in Common Shares of Company stock on June 1, 2016; provided, however, that restricted stock units that would otherwise vest on a date on which a sale of shares of Company stock by the Executive would violate the Insider Trading Policy shall vest as set forth in the Ross Stores, Inc. Restricted Stock Unit Agreement. The terms and conditions of this restricted stock unit award will be set forth in the Notice of Grant of Award, the Restricted Stock Unit Agreement, and the 2008 Equity Incentive Plan.

5. Offices. The Executive agrees to serve, if elected or appointed thereto, in one or more executive offices of any of the Company's subsidiaries, provided that the Executive is indemnified for serving in any and all such capacities on a basis no less favorable than is currently provided by the Company's by-laws and applicable state law.

6. 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 such confidential information regarding the Company's inventions, processes, methods of distribution, merchandise sourcing methods, vendors 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.

7. 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 7(b) shall be deemed an involuntary termination for purposes of this Agreement of 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 if the Executive either (i) continuously fails to substantially perform his duties hereunder (unless such failure is a result of a disability as defined in paragraph (b)) or (ii) intentionally engages in illegal or grossly negligent conduct which is materially injurious to the Company monetarily or otherwise. A termination for Cause shall not take effect unless: (1) the Executive is given written notice by the Company of its intention to terminate him for Cause; (2) the notice specifically identifies the particular act or acts or failure or failures to act which are the basis for such termination; (3) the notice is given within 90 days of the Company's learning of such act or acts or failure or failures to act; and (4) the Executive fails to substantially cure such conduct, to the extent such cure is possible, within 60 days after the date that such written notice is given to him.

(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 reasons other than those set forth in subsections (a) [Death], (b) [Disability] or (c) [For Cause] of this paragraph.

(e) Termination by the 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, or (ii) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which the Executive then maintains, as contemplated by this Agreement, without the express written consent of the Executive, or (iii) the Executive is relocated more than 40 miles from the Company's New York City office without his prior written consent.

(f) 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 7(e) [For Good Reason] 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.

## 8. 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 or the parties' failure to agree to renew or extend the Agreement) 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 7(b) [Disability], the date of termination shall be the 31<sup>st</sup> day following delivery of the notice of termination; and
- (iii) if the Executive's employment is terminated for any other reason by either party (except pursuant to clause (iv) hereof), the date on which a notice of termination is delivered to the other party.
- (iv) if the Agreement expires and the parties do not agree to extend or renew the Agreement, the parties' employment relationship shall terminate on the last day of the term of this Agreement, without any notice being required by either party.

9. Compensation and Benefits Upon Termination.

(a) Disability, Without Cause or For Good Reason. If the Executive's employment terminates pursuant to paragraphs 7(b) [Disability], (d) [Without Cause], or (e) [Termination by the Executive for Good Reason], the Executive shall, subject to his executing (and not revoking) an effective Release in accordance with paragraph 9(g) and subject to paragraph 22, be entitled to the following:

(i) Salary. The Company shall continue to pay the Executive his then-current salary for a period of two years from the date of such termination of employment. Such salary continuation shall be paid in accordance with paragraph 9(h).

(ii) Bonus. The Company shall pay the Executive a bonus equal to two times the Executive's target bonus for the fiscal year of the Company in which such termination of employment occurs. Such bonus shall be paid in accordance with paragraph 9(h).

(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.

(iv) Restricted Stock. With respect to any restricted stock granted to the Executive by the Company prior to May 1, 2012 that has not otherwise become vested as of the date of such termination of employment, the Executive shall immediately become vested in a pro rata portion of such unvested stock in accordance with the terms of the applicable stock grant agreements. Such pro rata vesting shall be based on the number of full months worked in relation to the overall applicable vesting period under each respective grant of restricted stock.

(b) For Cause. If the Executive's employment is terminated for Cause (as defined in paragraph 7(c)), he shall receive only the post-termination compensation and benefits described in paragraph 9(d) [Compensation and Benefits Upon Termination - Voluntary Termination].

(c) Change of Control. If the Executive's employment is terminated either by the Company Without Cause (as defined in paragraph 7(d)) or by the Executive for Good Reason (as defined in paragraph 7(e)) within one year after a Change of Control (as defined in paragraph 4(b)), the Executive shall, subject to his executing (and not revoking) an effective Release in accordance with paragraph 9(g) and subject to paragraph 22, be entitled to the following (in addition to any other payments or benefits provided for herein):

(i) Lump Sum Payment. The Company shall pay to the Executive (or his designee or estate) a lump sum amount equal to: (A) the sum of the Executive's then current salary and the greater of the most recent bonus paid to the Executive under the Management Incentive Plan or the

target bonus for the fiscal year of the Company in which such termination occurs; times (B) the greater of two or the number of years (including partial years computed on a per day basis) remaining in the term of the Agreement under paragraph 1. Such payment shall be made in accordance with paragraph 9(h).

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

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

(d) Voluntary Termination. If the Executive's employment terminates pursuant to paragraph 7(f) [Voluntary Termination], he shall not be entitled to any bonus payments which were not fully earned prior to his termination date, and he shall not be entitled to any pro rated bonus payment for the year in which his employment terminates. Any stock options granted to the Executive by the Company shall continue to vest only through the date on which the Executive's employment terminates, and unless otherwise provided by their terms, any restricted stock awards, restricted stock unit awards, performance share awards or other equity awards that were granted to the Executive by the Company that remained unvested as of the date on which the Executive's employment terminates shall automatically be forfeited and the Executive shall have no further rights with respect to such awards. The Company shall have no further obligations to the Executive as a result of the voluntary termination of his employment pursuant to paragraph 7(f).

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

(f) Dividend Repayment Right. If the Executive terminates employment pursuant to paragraphs 7(a) [Death], 7(b)[Disability], 7(d)[Without Cause], or 7(e)[Termination by Executive for Good Reason], the Company shall waive any reacquisition right or repayment rights for dividends paid on shares of restricted stock (granted under the terms and conditions of the Ross Stores Inc. Restricted Stock Agreement) or Unvested Common Shares (granted under the terms and conditions of the Ross Stores Inc. Performance Share Agreement) prior to Executive's termination of employment.

(g) Release of Claims. Notwithstanding the provisions of this paragraph 9 to the contrary, the Executive shall not be entitled to any payments under this paragraph 9, unless (i) within 60 days following the Executive's termination of employment, the Executive executes a general release of claims against the Company and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents, successors and assigns in the current form approved by the Company and attached as Exhibit A (subject to any amendments required by law or regulation) (the "Release") and (ii) the period for



revocation, if any, of such Release has expired without the Release having been revoked by the Executive.

(h) Timing of Payments. Notwithstanding the provisions of this paragraph 9 to the contrary, any cash payments to which the Executive is entitled under paragraph 9 shall commence (in the case of salary continuation) or be made (in the case of lump sum payments) within 30 days after the Executive executes and delivers (and does not revoke) the Release pursuant to paragraph 9(g); provided, however, that if the Executive's termination of employment occurs in one taxable year and the 90-day period following the Executive's termination of employment (i.e., the 60-day period described in paragraph 9(g) plus the 30-day payment period provided in this paragraph 9(h)) ends in a second taxable year, the payments shall commence or be made, as applicable, not earlier than January 1 of such second taxable year and not later than the last day of such 90-day period.

10. Certain Employee Acknowledgements.

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

(b) Non-Compete.

(i) During the term of the Executive's employment with the Company and for a period of 48 months following the Executive's termination of employment with the Company, the Executive shall not, directly or indirectly, own, manage, control, be employed by, consult with, participate in, or be connected in any manner with the ownership, management, operation, control of, or otherwise become involved with, any Competing Business, nor shall the Executive undertake any planning to engage in any such activity. For purposes of this Agreement, a Competing Business shall mean any of the following: (1) any off-price retailer, including without limitation, Burlington Coat Factory Warehouse Corporation, TJX Companies Inc., Stein Mart, Inc. and Tuesday Morning Corporation; and (2) any affiliates, subsidiaries or successors of businesses identified above.

(ii) The restrictions in paragraph 10(b)(i) shall have no force or effect in the event that the Executive's employment with the Company is terminated either by the Company pursuant to paragraph 7(d)[Without Cause] or by the Executive pursuant to paragraph 7(e) [Termination by the Executive for Good Reason].

(iii) Paragraph 10(b)(i) shall not prohibit the Executive from making any investment of one percent or less of the equity securities of any publicly-traded corporation which is considered to be a Competing Business.

(iv) The lifetime benefits referred to in paragraphs 4(i) and (j) shall be forfeited prospectively if the Executive violates the provisions of paragraph 10(b)(i).

(c) Non-Solicitation of Employees. During the term of the Executive's employment with the Company and for a period of 48 months following the Executive's termination of employment with the Company, the Executive shall not, without the written permission of the Company or an affected affiliate, directly or indirectly (i) solicit, employ or retain, or have or cause any other person or entity to solicit, employ or retain, any person who is employed by the Company or was employed by the Company during the 6-month period prior to such solicitation, employment, or retainer, (ii) encourage any such person not to devote his or her full business time to the Company, or (iii) agree to hire or employ any such person.

(d) Non-Solicitation of Third Parties. During the term of the Executive's employment with the Company and for a period of 48 months following the Executive's termination of employment with the Company, the Executive shall not directly or indirectly solicit or otherwise influence any entity with a business arrangement with the Company, including, without limitation, customers, suppliers, sales representatives, lenders, lessors, and lessees, to discontinue, reduce, or otherwise materially or adversely affect such relationship.

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

(f) Recoupment. The Executive hereby understands and agrees that the Executive is subject to the Company's recoupment policy and will be subject to any such future policy adopted by the Board to the extent required under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Under the current policy applicable to the Company's senior executives, subject to the discretion and approval of the Board, the Company may, to the extent permitted by governing law, require reimbursement and/or cancellation of any Performance Share or Common Shares issued in settlement of a Performance Share to the Executive where all the following factors are present: (1) the award was predicated upon the achievement of certain financial results that were subsequently the subject of a material restatement, (2) the Board determines that the Executive engaged in fraud or intentional misconduct that was a substantial contributing cause to the need for the restatement, and (3) a lower award would have been made to the Executive based upon the restated financial results. In each instance, the Company may seek to recover the Executive's entire gain received by the Executive within the relevant period, plus a reasonable rate of interest.

11. Exercise of Stock Options Following Terminations. If the Executive's employment terminates pursuant to paragraphs 7(a) [Death] or (b) [Disability], he (or his estate) may exercise his right to purchase stock under any vested 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, except as provided in paragraph 9(c)(ii). All such purchases must be made by the Executive in accordance with the applicable stock option plans and agreements between the parties.

12. Successors: Binding Agreement. This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to 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. 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 cover 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.

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

If to the Executive: Michael Balmuth

c/o Ross Stores, Inc.  
1372 Broadway  
New York, New York 10018

If to the Company: Ross Stores, Inc.

4440 Rosewood Drive  
Pleasanton, California 94588  
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.

15. 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 agreements, restricted stock agreements, restricted stock unit agreements, and/or performance share agreements between the parties (including, without limitation, any such outstanding agreements that have previously been granted or issued, as described in paragraph 4 of this Agreement), constitute the entire agreement between the parties regarding their employment relationship. To the extent that this Agreement is in any way inconsistent with any prior or contemporaneous stock option agreements, restricted stock agreements, restricted stock unit agreements, and/or performance share agreements between the parties, this Agreement shall control. No agreements or representations, oral or otherwise, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

16. Governing Law – Severability. The validity, interpretation, construction, performance, and enforcement of this Agreement shall be governed by the laws of the State of New York without reference to New York's choice of law rules. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

17. Mitigation Not Required. 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.

18. 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. 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.

19. Arbitration. In the event of any dispute or claim relating to or arising out of the parties' employment relationship or this Agreement (including, but not limited to, any claims of breach of contract, wrongful termination, or age, race, sex, disability or other discrimination), all such disputes shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association in New York, New York, by an arbitrator mutually agreed upon by the parties hereto or, in the absence of such agreement, by an arbitrator selected in accordance with the Commercial Arbitration Rules of the American Arbitration Association, 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. Notwithstanding the foregoing, if either the Company or the Executive shall request, such arbitration shall be conducted by a panel of three arbitrators, one selected by the Company, one selected by the Executive, and the third selected by agreement of the first two, or, in the absence of such agreement, in accordance with such Rules.

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

21. Miscellaneous. No right or interest to, or in, any payments shall be assignable by the Executive; provided, however, that this provision shall not preclude Executive from designating in writing one or more beneficiaries to receive any amount that may be payable after 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.

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

(a) Separation from Service. Payments and benefits constituting 409A Deferred Compensation otherwise payable or provided pursuant to paragraph 9 upon the Executive's termination of employment shall be paid or provided only at the time of a termination of the Executive's employment that constitutes a separation from service within the meaning of Section 409A ("Separation from Service").

(b) Six-Month Delay Applicable to Specified Employees. If, at the time of a Separation from Service of the Executive, the Executive is a "specified employee" within the meaning of Section 409A (a "Specified Employee"), then no payments and benefits constituting 409A Deferred Compensation to be paid or provided pursuant to paragraph 9 upon such Separation from Service, other than such payments and benefits that constitute severance payments (within the meaning of Section 409A) not in excess of two times the maximum amount that may be taken into account under a qualified plan pursuant to Code Section 401(a)(17) for the year in which the Separation from Service occurs (i.e., \$500,000 in the event of separation during 2012), whether paid under this Agreement or otherwise, shall be paid or provided before the later of (i) the date that is six months after the date of such Separation from Service or, if earlier, the date of death of the Executive (in either case, the "Delayed Payment Date"), or (ii) the date or dates on which such 409A Deferred Compensation would otherwise be paid or provided in accordance with paragraph 9. All such amounts that would, but for this paragraph 22(b), become

payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

(c) Health Care and Estate Planning Benefits. In the event that all or any of the benefits to be provided pursuant to paragraphs 4(g), 4(i) or 4(j) as a result of a Participant's Separation from Service constitute 409A Deferred Compensation, the Company shall provide for such benefits constituting 409A Deferred Compensation in a manner that complies with Section 409A. To the extent necessary to comply with Section 409A, the Company shall determine the premium cost necessary to provide such benefits constituting 409A Deferred Compensation for the applicable coverage period and shall pay such premium cost which becomes due and payable during the applicable coverage period on the applicable due date for such premiums; provided, however, that if the Executive is a Specified Employee, the Company shall not pay any such premium cost until the Delayed Payment Date. If the Company's payment pursuant to the previous sentence is subject to a Delayed Payment Date, the Executive shall pay the premium cost between the date of Separation from Service and the Delayed Payment Date, and on the Delayed Payment Date the Company shall reimburse the Executive for such Company premium cost paid by the Executive and shall pay the balance of the Company's premium cost necessary to provide such benefit coverage for the remainder of the applicable coverage period as and when it becomes due and payable over the applicable period.

(d) Matching Contributions. In the event that Matching Contributions are provided pursuant to paragraph 4(i), such amount shall be paid to the Executive annually no later than December 31 of the respective year in which a matching contribution would have been made if the Executive was employed by the Company.

(e) Stock-Based Awards. The vesting of any stock-based compensation awards held by the Executive which constitute 409A Deferred Compensation, if the Executive is a Specified Employee, shall be accelerated upon a Separation from Service in accordance with this Agreement to the extent applicable; provided, however, that the payment in settlement of any such awards shall occur on the Delayed Payment Date. Any stock-based compensation which vests and becomes payable upon a Change in Control in accordance with paragraph 4(b) shall not be subject to this paragraph 22(e).

(f) Rights of the Company; Release of Liability. It is the mutual intention of the Executive and the Company that the provision of all payments and benefits pursuant to this Agreement be made in compliance with the requirements of Section 409A. To the extent that the provision of any such payment or benefit pursuant to the terms and conditions of this Agreement would fail to comply with the applicable requirements of Section 409A, the Company may, in its sole and absolute discretion and without the consent of the Executive, make such modifications to the timing or manner of providing such payment and/or benefit to the extent it determines necessary or advisable to comply with the requirements of Section 409A; provided, however, that the Company shall not be obligated to make any such modifications. Any such modifications made by the Company shall, to the maximum extent permitted in compliance with the requirements of Section 409A, preserve the aggregate monetary face value of such payments and/or benefits provided by this Agreement in the absence of such modification. The Executive acknowledges that (i) the provisions of this paragraph 22 may result in a delay in the time at which payments would otherwise be made pursuant to this Agreement and (ii) the Company is authorized to amend this Agreement, to void or amend any election made by the Executive under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with Section 409A (including any transition or grandfather rules thereunder) without prior notice to or consent of the Executive. The Executive hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Executive as a result of the application of Section 409A.

(g) Interest. If, in accordance with this paragraph 22, this Agreement is modified to delay the date of any payment or benefit which, in the absence of such modification, would have occurred within six months following the date of termination of Executive's employment with the Company (the "Original Payment Date") to the Delayed Payment Date, then the principal amount of such payment or benefit shall accrue interest from the Original Payment Date to the Delayed Payment Date at the applicable Federal rate provided for in Code Section 7872(f)(2)(A). The Company shall pay such accrued interest to Executive on the Delayed Payment Date.

(h) Attorney's Fees and Costs. Any dispute or claim relating to or arising out of any delay in the Company's provision of payments or benefits in accordance with any modification of this Agreement pursuant to this paragraph 22 or the provision of interest in accordance with paragraph 22(g) shall be resolved by binding arbitration in accordance with paragraph 19. However, notwithstanding the provisions of paragraph 20 regarding attorney's fees and costs to the contrary, the Company shall reimburse Executive for any and all attorney's fees and costs reasonably incurred by Executive in clarifying or enforcing Executive's rights with respect to such delayed payments or benefits or interest if Executive establishes liability with respect to the merits of the claim in respect of which such attorney's fees and costs are incurred, which reimbursement shall be made to the Executive on or before the last day of the fiscal year of the Company in which such liability is established. Executive shall reimburse the Company for any and all attorney's fees and costs reasonably incurred by Company in defending any such claim brought by Executive if the arbitrator determines that such claim by Executive is frivolous or maintained in bad faith.

(i) Separate Payments. Each payment under this Agreement (including installment payments) shall be treated as a separate payment for purposes of Section 409A.

23. Attorney's Fees for Agreement Preparation. The Company agrees to pay for the Executive's reasonable attorney's fees incurred in negotiation of terms of this Employment Agreement, which reimbursement shall be made to the Executive on or before the last day of the fiscal year of the Company in which such fees are incurred.

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

ROSS STORES, INC.

By: /s/G. Orban

George P. Orban  
Chairman of the  
Compensation Committee

/s/Michael Balmuth

Michael Balmuth

Date: 8/15/2012

8/15/2012

## EXHIBIT A (FORM OF RELEASE)

### CONFIDENTIAL SEPARATION AGREEMENT AND GENERAL RELEASE

This is an Agreement between \_\_\_\_\_ (“Executive”) and Ross Stores, Inc. (“Ross”). The parties agree to the following terms and conditions:

1. Executive \_\_\_\_\_ employment with Ross effective \_\_\_\_\_ (the “Separation Date”).
2. Any inquiries by prospective employers or others should be referred to Ross’ third party provider The Work Number, phone number 1-800-367-5690 or <http://www.theworknumber.com>.
3. Executive understands that the Executive Employment Agreement, effective \_\_\_\_\_ (“Executive Agreement”), requires Executive to execute this General Release as a condition to receiving cash payments, benefits and equity as may be provided under the terms of the Executive Agreement.
4. In consideration for Ross’ promises herein, Executive knowingly and voluntarily releases and forever discharges Ross, and all parent corporations, affiliates, subsidiaries, divisions, successors and assignees, as well as the current and former employees, attorneys, officers, directors and agents thereof (collectively referred to throughout the remainder of this Agreement as “Releasees”), of and from any and all claims, judgments, promises, agreements, obligations, damages, losses, costs, expenses (including attorneys’ fees) or liabilities of whatever kind and character, known and unknown, which Executive may now have, has ever had, or may in the future have, arising from or in any way connected with any and all matters from the beginning of time to the date hereof, including but not limited to any alleged causes of action for:
  - Title VII of the Civil Rights Act of 1964, as amended
  - The National Labor Relations Act, as amended
  - The Civil Rights Act of 1991
  - Sections 1981 through 1988 of Title 42 of the United States Code, as amended
  - The Employee Retirement Income Security Act of 1974, as amended
  - The Immigration Reform and Control Act, as amended
  - The Americans with Disabilities Act of 1990, as amended
  - The Age Discrimination in Employment Act of 1967, as amended
  - The Occupational Safety and Health Act, as amended
  - The Sarbanes-Oxley Act of 2002
  - The United States Equal pay Act of 1963
  - The New York State Civil Rights Act, as amended;
  - The New York Equal Pay Law, as amended;
  - The New York State Human Rights Law, as amended;
  - The New York City Administrative Code and Charter, as amended;
  - The New York State Labor Law, as amended;
  - The Retaliation Provisions of the New York State Workers Compensation Law and the New York State Disability Benefits Law, as amended;
  - Any other federal, state or local civil or human rights law or any other local, state or federal law, regulation or ordinance





- Any public policy, contract, tort, or common law, or
  - Any claim for costs, fees, or other expenses including attorneys' fees incurred in these matters
5. This Agreement does not prevent Executive from filing a charge of discrimination with the Equal Employment Opportunity Commission, although by signing this Agreement Executive waives his right to recover any damages or other relief in any claim or suit brought by or through the Equal Employment Opportunity Commission or any other state or local agency on his behalf under any federal or state discrimination law, except where prohibited by law. Executive agrees to release and discharge Ross not only from any and all claims which he could make on his own behalf but also specifically waives any right to become, and promise not to become, a member of any class in any proceeding or case in which a claim or claims against Ross may arise, in whole or in part, from any event which occurred as of the date of this Agreement. Executive agrees to pay for any legal fees or costs incurred by Ross as a result of any breach of the promises in this paragraph. The parties agree that if Executive, by no action of his own, becomes a mandatory member of any class from which he cannot, by operation of law or order of court, opt out, Executive shall not be required to pay for any legal fees or costs incurred by Ross as a result.
  6. Executive affirms that he has been paid and/or has received all leave (paid or unpaid), compensation, wages, bonuses, commissions, and/or benefits to which he may be entitled and that no other leave (paid or unpaid), compensation, wages, bonuses, commissions and/or benefits are due to him, except as provided in this Agreement. Executive furthermore affirms that he has no known workplace injuries or occupational diseases and has been provided and/or has not been denied any leave requested, including any under the Family and Medical Leave Act or any other leaves authorized by federal or state law, and that Executive has not reported any purported improper, unethical or illegal conduct or activities to any supervisor, manager, executive human resources representative or agent of Ross Stores and has no knowledge of any such improper, unethical or illegal conduct or activities. Executive additionally represents and affirms that during the course of employment at Ross, Executive has taken no actions contrary to or inconsistent with Executive's job responsibilities or the best interests of Ross' business.
  7. The parties expressly acknowledge that those certain employment obligations set forth in the Executive Agreement, including but not limited to all obligations set forth in Paragraphs 4(i), 4(j), 6, 9 and 10 of the Executive Agreement, shall remain in full force and effect for the time period(s) specified in the Executive Agreement.
  8. Executive agrees that this is a private agreement and that he will not discuss the fact that it exists or its terms with anyone else except with his spouse, attorney, accountant, or as required by law. Further, Executive agrees not to defame, disparage or demean Ross in any way (excluding actions or communications expressly required or permitted by law
  9. Any party to this Agreement may bring an action in law or equity for its breach. Unless otherwise ordered by the Court, only the provisions of this Agreement alleged to have been breached shall be disclosed.

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Executive's Initials      Ross' Initials

10. This Agreement has been made in the State of New York and the law of said State shall apply to it. If any part of this Agreement is found to be invalid, the remaining parts of the Agreement will remain in effect as if no invalid part existed.
11. This Agreement sets forth the entire agreement between the parties hereto, and fully supersedes any prior agreements or understandings between the parties, except for any confidentiality, trade secrets and inventions agreements previously entered into with the company (which will remain in full force and effect), and may not be modified except in a writing agreed to and signed by both parties, providing however that Employer may modify this form of agreement from time to time solely as needed to comply with federal, state or local laws in effect that the time this Agreement is to be executed. Executive acknowledges that he has not relied on any representations, promises, or agreements of any kind made to him in connection with his decision to accept this Agreement except for those set forth in this Agreement.
12. Executive further agrees to make him or herself available as needed and fully cooperate with Ross in defending any anticipated, threatened, or actual litigation that currently exists, or may arise subsequent to the execution of this Agreement. Such cooperation includes, but is not limited to, meeting with internal Ross employees to discuss and review issues which Executive was directly or indirectly involved with during employment with Ross, participating in any investigation conducted by Ross either internally or by outside counsel or consultants, signing declarations or witness statements, preparing for and serving as a witness in any civil or administrative proceeding by both depositions or a witness at trial, reviewing documents and similar activities that Ross deems necessary. Executive further agrees to make him or herself available as needed and cooperate in answering questions regarding any previous or current project Executive worked on while employed by Ross so as to insure a smooth transition of responsibilities and to minimize any adverse consequences of Executive's departure.
13. **Waiver** : By signing this Agreement, Executive acknowledges that he:
  - (a) Has carefully read and understands this Agreement;
  - (b) Has been given a full twenty-one (21) days within which to consider the terms of this Agreement and consult with an attorney of his choice, and to the extent he executes this Agreement prior to expiration of the full twenty-one (21) days, knowingly and voluntarily waives that period following consultation with an attorney of his choice;
  - (c) Is, through this Agreement, releasing Ross from any and all claims he may have against it that have arisen as of the date of this Agreement, including but not limited to, rights or claims arising under the Age Discrimination in Employment Act of 1967 (29 U.S.C. §621, *et seq.*);
  - (d) Knowingly and voluntarily agrees to all of the terms set forth in this Agreement;
  - (e) Knowingly and voluntarily intends to be legally bound by the same;
  - (f) Is hereby advised in writing to consider the terms of this Agreement and to consult with an attorney of his choice prior to executing this Agreement;

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Executive's Initials      Ross' Initials

- (g) Has consulted with an attorney of his choosing prior to signing this Agreement;
  - (h) Understands that rights or claims under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621, *et seq.*) that may arise after the date of this Agreement are not waived;
  - (i) Has a full seven (7) days following the execution of this Agreement to revoke this Agreement ("the Revocation Period") in writing and hereby is advised that this Agreement shall not become effective or enforceable until the Revocation Period has expired.
14. Executive fully understands the final and binding effect of the Agreement. Executive acknowledges that he signs this Agreement voluntarily of his own free will.

The parties hereto knowingly and voluntarily executed this Agreement as of the date set forth below:

Dated: \_\_\_\_\_ By: \_\_\_\_\_  
 ("Executive")

Dated: \_\_\_\_\_ By: \_\_\_\_\_  
 ROSS STORES, INC. ("Ross")

\_\_\_\_\_  
 Executive's Initials      Ross' Initials

**ROSS STORES, INC.**  
**NOTICE OF GRANT OF RESTRICTED STOCK UNITS**

The Participant has been granted an award of Restricted Stock Units (the “*Award*”) pursuant to the Ross Stores, Inc. 2008 Equity Incentive Plan (the “*Plan*”), each of which represents the right to receive on the applicable Settlement Date one (1) share of Common Stock of Ross Stores, Inc., as follows:

**Participant:** Michael Balmuth **Employee ID:** 45814

**Grant Date:** August 15, 2012 **Grant No.:** 15343

**Number of Restricted Stock Units:** 58,395, subject to adjustment as provided by the Restricted Stock Units Agreement.

**Settlement Date:** June 1, 2016, except as otherwise provided by the Restricted Stock Units Agreement.

**Vested Units:** Except as provided by the Restricted Stock Units Agreement and provided that the Participant’s Service has not terminated prior to the relevant date, the number of Vested Units shall cumulatively increase on each respective date set forth below by the number of units set forth opposite such date, as follows:

<u>Vesting Date</u>	<u>Number of Units Vesting</u>
May 31, 2014	14,599
May 31, 2015	14,599
May 31, 2016	29,197

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

ROSS STORES, INC.

PARTICIPANT

By: /s/K. CaruanaSignature /s/ Michael BalmuthIts: Kenneth Caruana, EVP, Strategy, Marketing, HR

Date

Address: 4440 Rosewood Drive  
Pleasanton, CA 94588

Address

ATTACHMENT: Restricted Stock Units Agreement



# ROSS STORES, INC.

## RESTRICTED STOCK UNITS AGREEMENT

Ross Stores, Inc. has granted to the Participant named in the *Notice of Grant of Restricted Stock Units* (the “ **Grant Notice** ”) to which this Restricted Stock Units Agreement (the “ **Agreement** ”) is attached an Award consisting of Restricted Stock Units (the “ **Units** ”) subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Ross Stores, Inc. 2008 Equity Incentive Plan (the “ **Plan** ”), as amended to the Grant Date, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant:

(a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Award (the “ **Plan Prospectus** ”), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

### 1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions** . Unless otherwise defined herein, capitalized terms shall have the meanings assigned in the Grant Notice or the Plan.

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

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

### 2. **ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Agreement and the Plan shall be determined by the Committee. All determinations by the Committee shall be final and binding upon all persons having an interest in the Award as provided by the Plan. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

### 3. THE AWARD.

3.1 **Grant of Units.** On the Grant Date, the Participant shall be awarded, subject to the provisions of this Agreement, the Number of Restricted Stock Units set forth in the Grant Notice, subject to adjustment as provided in Section 8. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) share of Stock.

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

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

### 4. VESTING OF UNITS.

4.1 **In General.** The Units shall vest and become Vested Units as provided in the Grant Notice. In the event that the Settlement Date as provided by the Grant Notice would occur on a date on which a sale by the Participant of the shares to be issued in settlement of Vested Units would violate the Insider Trading Policy of the Company, such Settlement Date shall be deferred until the first to occur of (a) the next business day on which a sale by the Participant of such shares would not violate the Insider Trading Policy or (b) December 31, 2016.

4.2 **Forfeiture of Unvested Units.** Except to the extent otherwise provided in an employment agreement between a Participating Company and the Participant, in the event that the Participant's Service terminates for any reason, with or without cause, the Participant shall forfeit all Units which are not, as of the time of such termination, Vested Units ( "*Unvested Units*" ), and the Participant shall not be entitled to any payment therefor.

4.3 **Obligation to Repay Certain Dividend Equivalent Right Payments.** The Participant shall, at the discretion of the Company, be obligated to promptly repay to the Company upon termination of the Participant's Service any amounts previously paid to the Participant in cash in settlement of Dividend Equivalent Rights credited on Unvested Units that are subsequently forfeited pursuant to Section 4.2.

**4.4 Ownership Change Event, Dividends, Distributions and Adjustments .** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 4.4 of the Plan, any and all new, substituted or additional securities or other property (other than regular, periodic dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be included in the terms "Units" and "Unvested Units" for all purposes of this Section 4 with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

## **5. SETTLEMENT OF THE AWARD.**

**5.1 Issuance of Shares of Stock .** Subject to the provisions of Section 5.3 below, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Unit to be settled on such date one (1) share of Stock. Shares of Stock issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 5.3, Section 6 or the Company's Insider Trading Policy.

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

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

**5.4 Fractional Shares .** The Company shall not be required to issue fractional shares upon the settlement of the Award.



## 6. TAX WITHHOLDING.

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

6.2 **Assignment of Sale Proceeds; Payment of Tax Withholding by Check.** Subject to compliance with applicable law and the Company's Insider Trading Policy, the Company may permit the Participant to satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for either (i) delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares being acquired upon settlement of Units, or (ii) payment by check. The Participant shall deliver written notice of any such permitted election to the Company on a form specified by the Company for this purpose at least thirty (30) days (or such other period established by the Company) prior to such Settlement Date. If the Participant elects payment by check, the Participant agrees to deliver a check for the full amount of the required tax withholding to the applicable Participating Company on or before the third business day following the Settlement Date. If the Participant elects to payment by check but fails to make such payment as required by the preceding sentence, the Company is hereby authorized, at its discretion, to satisfy the tax withholding obligations through any means authorized by this Section 6, including by directing a sale for the account of the Participant of some or all of the shares being acquired upon settlement of Units from which the required taxes shall be withheld, by withholding from payroll and any other amounts payable to the Participant or by withholding shares in accordance with Section 6.3.

6.3 **Withholding in Shares.** The Company may require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

## 7. EFFECT OF CHANGE IN CONTROL ON AWARD.

7.1 **Assumption, Continuation or Substitution.** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "*Acquiror*"), may, without the consent of the Participant, assume or continue the Company's rights and obligations with respect to all or any portion of the outstanding Units or substitute for all or any portion of the outstanding Units substantially equivalent rights with respect to the Acquiror's stock. For purposes of this Section,

a Unit shall be deemed assumed if, following the Change in Control, the Unit confers the right to receive, subject to the terms and conditions of the Plan and this Agreement, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon settlement of the Unit to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control.

**7.2 Conversion into Right to Receive Cash.** Any portion of the Award which is not assumed, continued or substituted for by the Acquiror in accordance with Section 7.1 in connection with a Change in Control shall be converted automatically at the effective time of the Change in Control into a right to receive in cash on the Settlement Date an amount equal to the Fair Market Value of the shares of Stock subject to the Award at the time of the Change in Control.

## **8. ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

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

## **9. RIGHTS AS A STOCKHOLDER OR EMPLOYEE.**

The Participant shall have no rights as a stockholder with respect to any shares which may be issued in settlement of this Award until the date of the issuance of a certificate for such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 8. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the

Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

10. **LEGENDS.**

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

11. **COMPLIANCE WITH SECTION 409A.**

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

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

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

11.3 **Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with Section 409A (including any transition or grandfather rules thereunder) without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims

that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

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

## 12. MISCELLANEOUS PROVISIONS.

12.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 7 in connection with a Change in Control, no such termination or amendment may adversely affect the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

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

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

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

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

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

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

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 12.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and Grant Notice, as described in Section 12.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 12.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 12.6(a).

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

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

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

**EXHIBIT 15**

December 5, 2012

Ross Stores, Inc.  
Pleasanton, California 94588

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Ross Stores, Inc. and subsidiaries for the periods ended October 27, 2012, and October 29, 2011, as indicated in our report dated December 5, 2012; 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 October 27, 2012, is incorporated by reference in Registration Statements No. 333-151116, No. 33-61373, No. 33-51916, No. 33-51896, No. 33-51898, No. 33-41415, No. 33-41413, No. 33-29600, No. 333-56831, No. 333-06119, No. 333-34988, No. 333-51478, and No. 333-115836 of Ross Stores, Inc. and subsidiaries, all on Form S-8.

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

Yours truly,

/s/ Deloitte & Touche LLP  
San Francisco, California

## EXHIBIT 31.1

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

I, Michael Balmuth, certify that:

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

Date: December 5, 2012

/s/Michael Balmuth

Michael Balmuth

Vice Chairman and Chief Executive  
Officer



## EXHIBIT 31.2

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

I, John G. Call, certify that:

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

Date: December 5, 2012

/s/J. Call

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John G. Call

Group Senior Vice President, Chief Financial Officer and  
Principal Accounting Officer

## EXHIBIT 32.1

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

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended October 27, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Balmuth, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 5, 2012

/s/Michael Balmuth

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Michael Balmuth

Vice Chairman and Chief Executive Officer

## EXHIBIT 32.2

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

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended October 27, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John G. Call, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 5, 2012

/s/J. Call

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John G. Call

Group Senior Vice President, Chief Financial Officer and  
Principal Accounting Officer