

ROSS STORES INC  
Form DEF 14A  
April 13, 2009

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

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|--|--|
| <input type="checkbox"/> Preliminary Proxy Statement   | <input type="checkbox"/> Soliciting Material Under Rule 14a-12 |
| <input type="checkbox"/> Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |  |
| <input checked="" type="checkbox"/> Definitive Proxy Statement   |  |
| <input type="checkbox"/> Definitive Additional Materials   |  |

ROSS STORES, INC.

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(Name of Registrant as Specified In Its Charter)  
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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- No fee required.  
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1) Title of each class of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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schedule and the date of its filing.

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

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4) Date Filed:

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April 14, 2009

Dear Stockholder:

You are cordially invited to attend the 2009 Ross Stores, Inc. Annual Meeting of Stockholders, which will be held on Wednesday, May 20, 2009 at 1:00 p.m. PDT, at our corporate offices located at 4440 Rosewood Drive, Pleasanton, California 94588-3050. If you will need special assistance at the meeting, please contact Ms. Lovita Brewer, Legal Department, Ross Stores, Inc., 4440 Rosewood Drive, Pleasanton, California 94588-3050, (925) 965-4231, at least 10 days before the meeting.

Thank you for your commitment to Ross Stores and for your cooperation in voting your proxy without delay. You may vote your shares by Internet, toll-free telephone number, or mail. Instructions regarding all three methods of voting are included in this Proxy Statement on the page following the Notice of Annual Meeting of Stockholders.

Sincerely,

**ROSS STORES, INC.**

Michael Balmuth  
Vice-Chairman, President and  
Chief Executive Officer

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**ROSS STORES, INC.**

**Notice of Annual Meeting of Stockholders  
to be Held May 20, 2009**

To Our Stockholders:

Please take notice that the 2009 Ross Stores, Inc. Annual Meeting of Stockholders (the "Annual Meeting") will be held on Wednesday, May 20, 2009 at 1:00 p.m. PDT, at our corporate offices located at 4440 Rosewood Drive, Pleasanton, California 94588-3050, for the following purposes:

1. To elect three Class II directors for a three-year term.
2. To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending January 30, 2010.
3. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Stockholders of record at the close of business on March 27, 2009 are entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements thereof. For ten days prior to the Annual Meeting, a

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complete list of stockholders of record entitled to vote at the Annual Meeting will be available for examination by any stockholder for any purpose related to the Annual Meeting during ordinary business hours at the Company's corporate offices located at 4440 Rosewood Drive, Pleasanton, California 94588-3050.

The available voting methods (by Internet, by telephone, or by mail), are described on the next page. We would appreciate you submitting your proxy vote as soon as possible so that your shares will be represented at the meeting.

By order of the Board of Directors,

Mark LeHocky  
Corporate Secretary

April 14, 2009

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE MEETING OF STOCKHOLDERS TO BE HELD ON MAY 20, 2009:** A complete set of proxy materials relating to our Annual Meeting is available on the Internet. These materials, consisting of the Notice of Annual Meeting, Proxy Statement, Proxy Card and Annual Report, may be viewed at [www.proxyvote.com](http://www.proxyvote.com), where you may also cast your vote.

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### VOTING METHODS

The accompanying Proxy Statement describes proposals that are being submitted for a vote by stockholders at the Ross Stores, Inc. 2009 Annual Meeting to be held on May 20, 2009. If you are a stockholder of record of Ross Stores, Inc. as of March 27, 2009, you have the right to vote your shares, and may elect to do so, by Internet, by telephone, or by mail. You may also revoke your proxy at any time before the Annual Meeting. Please help us save time and postage costs by voting by Internet or by telephone. Both methods are generally available 24-hours-a-day, seven days a week and will ensure that your vote is confirmed and posted immediately. To vote:

1. **BY INTERNET**
  - a. Go to the web site at [www.proxyvote.com](http://www.proxyvote.com) 24-hours-a-day, seven days a week.
  - b. Enter the Control Number that appears on the Proxy Card.
  - c. Follow the simple instructions.
  
2. **BY TELEPHONE**
  - a. On a touch-tone telephone, call toll-free 1-800-690-6903, 24-hours-a-day, seven days a week.
  - b. Enter the Control Number that appears on the Proxy Card.
  - c. Follow the simple recorded instructions.
  
3. **BY MAIL** (*Do not mail the proxy card if you are voting by Internet or telephone.*)
  - a. Mark your selections on the proxy card.
  - b. Date and sign your name exactly as it appears on your proxy card.
  - c. Mail the proxy card in the enclosed postage-paid envelope.

If your shares are held in the name of a bank, broker or other holder of record, you are considered a beneficial owner, whose stock is held in [street name], and you will receive instructions for granting proxies from your bank, broker or other agent, rather than a proxy card. Your broker or nominee will enclose a voting instruction card for you to use in directing your broker or nominee as to how to vote your shares. A number of brokers and banks, however, are participating in a program provided through Broadridge Financial Solutions Inc. ([Broadridge]) that offers the means to grant proxies to vote shares by Internet and by telephone. If your shares are held in an

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account with a broker or bank participating in the Broadridge program, you may grant a proxy to vote those shares by Internet or by calling the telephone number shown on the instruction form received from your broker or bank.

We must receive votes submitted via the Internet by 11:59 p.m. PDT on May 19, 2009. Submitting your proxy via the telephone or Internet will not affect your right to vote in person should you decide to attend the Annual Meeting.

**Your vote is important. Thank you for voting.**

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## **PROXY STATEMENT**

### **2009 ANNUAL MEETING OF STOCKHOLDERS**

**ROSS STORES, INC.**  
4440 Rosewood Drive  
Pleasanton, California 94588-3050  
(925) 965-4400  
[www.rossstores.com](http://www.rossstores.com)

### **PROXY SOLICITATION**

The accompanying Proxy is solicited by the Board of Directors of Ross Stores, Inc., a Delaware corporation (["we" or the "Company"]), for use at the Company's 2009 Annual Meeting of Stockholders to be held on Wednesday, May 20, 2009 at 1:00 p.m. PDT, or any adjournment thereof (the ["Annual Meeting"]), at which stockholders of record at the close of business on March 27, 2009 are entitled to vote. The Annual Meeting will be held at our corporate offices located at 4440 Rosewood Drive, Pleasanton, California 94588-3050.

The date of this Proxy Statement is April 14, 2009, the date on which this Proxy Statement and the accompanying Proxy were first sent or given to stockholders. The Annual Report to Stockholders for the fiscal year ended January 31, 2009, including financial statements, is enclosed with this Proxy Statement.

The purpose of this Proxy Statement is to provide our stockholders with certain information regarding the Company and its management and to provide summaries of the matters to be voted upon at the Annual Meeting. The

stockholders will be asked to: (1) elect three Class II directors to serve a three-year term, (2) ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending January 30, 2010, and (3) transact such other business as may properly come before the Annual Meeting or any adjournments or postponements.

We had outstanding, on March 27, 2009, our record date, 126,754,201 shares of common stock, par value \$0.01, all of which are entitled to vote with respect to all matters to be acted upon at the meeting. Each stockholder is entitled to one vote for each share of stock held. Our Bylaws provide that a majority of all shares entitled to vote, whether present in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. For ten calendar days prior to the Annual Meeting, the Company's stockholder list will be available for viewing by the stockholders for any purpose related to the Annual Meeting during ordinary business hours at our corporate offices located at 4440 Rosewood Drive, Pleasanton, California 94588-3050.

All valid proxies received before the Annual Meeting, including proxies granted over the Internet or by telephone submitted prior to midnight the night before the Annual Meeting, will be exercised. All shares represented by a proxy will be voted, and where a proxy specifies a stockholder's choice with respect to any matter to be acted upon, the shares will be voted in accordance with that specification. If no choice is indicated on the proxy, the shares will be voted FOR each nominee and FOR each proposal. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is exercised by filing with our Secretary an instrument revoking it, by presenting at the meeting a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person.

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## STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table contains information as of March 2, 2009 (except for the institutional investors as noted in footnote (2)) regarding the ownership of the common stock of the Company by (i) all persons who, to the knowledge of the Company, were the beneficial owners of more than 5% of the outstanding shares of common stock of the Company, (ii) each director and each of the executive officers named in the Summary Compensation Table, and (iii) all executive officers and directors of the Company as a group. Common stock is the only issued and outstanding equity security of the Company.

| Name of Beneficial Owner and the Directors and Executive Officers               | Amount and Nature of Beneficial Ownership | (1) | Percent of Common Stock Outstanding |
|---|---|-----|-------------------------------------|
| FMR, LLC<br>82 Devonshire Street<br>Boston, MA 02109                            | 15,825,517                                | (2) | 12.5%                               |
| BlackRock, Inc.<br>40 East 52nd Street<br>New York, NY 10022                    | 7,727,112                                 | (2) | 6.1%                                |
| Barclay's Global Investors, NA.<br>400 Howard Street<br>San Francisco, CA 94105 | 6,528,896                                 | (2) | 5.2%                                |
| Michael Balmuth   | 690,573                                   | (3) | *                                   |
| K. Gunnar Bjorklund   | 51,435                                    | (4) | *                                   |
| Michael J. Bush   | 52,953                                    | (5) | *                                   |
| Norman A. Ferber  | 77,435                                    | (6) | *                                   |
| Sharon D. Garrett   | 49,435                                    | (7) | *                                   |

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|   |           |      |      |
|---|-----------|------|------|
| George P. Orban   | 1,413,181 | (8)  | 1.1% |
| Donald H. Seiler  | 622,115   | (9)  | *    |
| John G. Call  | 183,093   | (10) | *    |
| Barbara Rentler   | 268,615   | (11) | *    |
| Lisa Panattoni  | 191,294   | (12) | *    |
| Michael O'Sullivan  | 298,418   | (13) | *    |
| All executive officers (as defined by Rule 3b-7 of the Securities and Exchange Act of 1934) and directors as a group (13 persons, including the executive officers and directors named above) | 4,339,205 | (14) | 3.4% |

\*Less than 1%

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- (1) To the knowledge of the Company, the persons named in this table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable, and the information contained in the footnotes to this table.
- (2) Information is as of December 31, 2008 (except as to FMR, LLC, which is based on its Schedule 13G/A filing of February 17, 2009), and is based on Schedule 13G filings made with the Securities and Exchange Commission. Barclays Global Investors, NA filing includes interests owned by Barclays Global Fund Advisors, Barclays Global Investors, LTD, Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited, Barclays Global Investors Australia Limited, and Barclays Global Investors (Deutschland) AG.
- (3) Mr. Balmuth. Includes options to purchase 451,617 shares of the Company's common stock exercisable within 60 days of March 2, 2009. Also includes 232,762 shares of the Company's common stock that were granted under the Company's 2004 Equity Incentive Plan that remain subject to vesting.
- (4) Mr. Bjorklund. Includes options to purchase 49,291 shares of the Company's common stock exercisable within 60 days of March 2, 2009. Also includes 2,144 shares of the Company's common stock that were granted under the Company's 2008 Equity Incentive Plan that remain subject to vesting.
- (5) Mr. Bush. Includes options to purchase 49,291 shares of the Company's common stock exercisable within 60 days of March 2, 2009. Also includes 2,144 shares of the Company's common stock that were granted under the Company's 2008 Equity Incentive Plan that remain subject to vesting.

- (6) Mr. Ferber. Represents options to purchase 75,291 shares of the Company's common stock exercisable within 60 days of March 2, 2009. Also includes 2,144 shares of the Company's common stock that were granted under the Company's 2008 Equity Incentive Plan that remain subject to vesting.
- (7) Ms. Garrett. Represents options to purchase 47,291 shares of the Company's common stock exercisable within 60 days of March 2, 2009. Also includes 2,144 shares of the Company's common stock that were granted under the Company's 2008 Equity Incentive Plan that remain subject to vesting.
- (8) Mr. Orban. Includes 1,192,096 shares held in the name of Orban Partners and 72,050 shares held indirectly by Mr. Orban for his minor children. Mr. Orban, a director of the Company, is a general partner and managing partner of Orban Partners. Also includes options to purchase 75,291 shares of the Company's common stock exercisable within 60 days of March 2, 2009. Also includes 2,144 shares of the Company's common stock that were granted under the Company's 2008 Equity Incentive Plan that remain subject to vesting.
- (9) Mr. Seiler. Includes options to purchase 43,291 shares of the Company's common stock exercisable within 60 days of March 2, 2009. Also includes 2,144 shares of the Company's common stock that were granted under the Company's 2008 Equity Incentive Plan that remain subject to vesting.
- (10) Mr. Call. Includes options to purchase 128,000 shares of the Company's common stock exercisable within 60 days of March 2, 2009. Also includes 22,941 shares of the Company's common stock that were granted under the Company's 2004 Equity Incentive Plan. Also includes 5,983 shares of the Company's common stock granted pursuant to a Performance Share Award under the 2004 Equity Incentive Plan, which remain subject to vesting.
- (11) Ms. Rentler. Includes options to purchase 97,557 shares of the Company's common stock exercisable within 60 days of March 2, 2009. Also includes 118,556 shares of the Company's common stock that were granted under the Company's 2004 Equity Incentive Plan. Also includes 23,924 shares of the Company's Common Stock granted pursuant to a Performance Share Award under the 2004 Equity Incentive Plan, which remain subject to vesting.
- 
- (12) Ms. Panattoni. Includes options to purchase 80,263 shares of the Company's common stock exercisable within 60 days of March 2, 2009. Also includes 87,107 shares of the Company's common stock that were granted under the Company's 2004 Equity Incentive Plan that remain subject to vesting. Also includes 23,924 shares of the Company's common stock granted pursuant to a Performance Share Award under the 2004 Equity Incentive Plan, which remain subject to vesting.
- (13) Mr. O'Sullivan. Includes options to purchase 197,919 shares of the Company's common stock exercisable within 60 days of March 2, 2009. Also includes 63,933 shares of the Company's common stock that were granted under the Company's 2004 Equity Incentive Plan. Also includes 20,934 shares of the Company's common stock granted



pursuant to a Performance Share Award under the 2004 Equity Incentive Plan, which remain subject to vesting.

- (14) Includes 1,515,716 shares subject to outstanding options held by directors and executive officers, which were exercisable within 60 days of March 2, 2009. Also includes 635,469 shares of the Company's common stock granted under the Company's 2004 Equity Plan and the 2008 Equity Incentive Plan that remain subject to vesting. Also includes 110,653 shares of the Company's Common Stock granted pursuant to Performance Share Awards under the 2004 Equity Incentive Plan, which remain subject to vesting.

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## **PROPOSAL 1 ELECT CLASS II DIRECTORS**

If elected, each nominee will hold office for a three-year term or until his or her successor is elected and qualified, unless he or she resigns or his or her office becomes vacant by death, removal, or other cause in accordance with the Bylaws of the Company. Management knows of no reason why any of these nominees should be unable or unwilling to serve, but if any nominee(s) should for any reason be unable or unwilling to serve, the proxies will be voted for the election of such other person(s) for the office of director as the Nominating and Corporate Governance Committee may recommend in the place of such nominee(s).

### **Vote Required and Board of Directors' Recommendation**

The plurality of the votes cast by the holders of shares of common stock present or represented by proxy and voting at the Annual Meeting will determine the election of the directors. Therefore, the three nominees receiving the highest number of votes will be elected. Abstentions and broker non-votes will be counted as present in determining if a quorum is present but will not affect the election of directors.

**The Board of Directors unanimously recommends that the stockholders  
vote FOR the three Class II director nominees listed below**  
**Michael Balmuth, K. Gunnar Bjorklund, and Sharon D. Garrett.**

## **INFORMATION REGARDING NOMINEES AND INCUMBENT DIRECTORS**

The Certificate of Incorporation and the Bylaws of the Company provide that the number of members of the Board of Directors of the Company (the "Board") may be fixed from time to time exclusively by the Board and that the directors shall be divided into three classes as nearly equal in number as possible. The term of office of each class of directors is three years and the terms of office of the three classes overlap. The Board currently consists of nine authorized members. There are currently two vacancies, one in the Class I directors (due to the passing of former Board member Stuart G. Moldaw) and one in the Class III directors (due to the prior resignation of John W. Froman in connection with his acceptance of an executive position with another retailer). The Nominating and Corporate Governance Committee is undertaking efforts to fill the vacancies.

The terms of the three current Class II directors, Michael Balmuth, K. Gunnar Bjorklund, and Sharon D. Garrett, will expire on the date of the upcoming Annual Meeting. Accordingly, three persons are to be elected to serve as Class II directors of the Board of Directors at the meeting. The Nominating and Corporate Governance Committee's nominees for election by the stockholders to serve as members of Class II of the Board are the three incumbent Class II directors. If elected, the nominees will serve as directors until the Annual Meeting of Stockholders in 2012 and until their successors are elected and qualified. If any of the nominees declines to serve or becomes unavailable for any reason, the proxies may be voted for such substitute nominees as the Nominating and Corporate Governance Committee may designate. Proxies cannot be voted for more than three nominees.

The following table indicates the name, age, business experience, principal occupation and term of office of each nominee standing for election at the 2009 Annual Meeting, and of each director of the Company whose term of office as a director will continue after the 2009 Annual Meeting.

|   | <b><u>Principal Position<br/>During Last Five Years</u></b>  | <b><u>Age</u></b> | <b><u>Director<br/>Since</u></b> |
|---|--|-------------------|----------------------------------|
| <b><i>Nominees for Election as Class II Directors with Terms Expiring in 2012</i></b> |  |                   |                                  |
| Michael Balmuth   | Vice Chairman of the Board and Chief Executive Officer of the Company since September 1996; President since February 2005; from July 1993 through August 1996, Executive Vice President, Merchandising; and from November 1989 through June 1993, Senior Vice President, Merchandising.  | 58                | 1996                             |
| K. Gunnar Bjorklund   | Managing Director, Sverica International, since 1991. From 1987 to 1990, Director, Corporate Strategic Planning for American Express Company. Management Consultant with McKinsey & Company from 1985 to 1987.   | 49                | 2003                             |
| Sharon D. Garrett   | Senior Vice President, Reimbursement Services, American Medical Response, Inc., since 2007; Management Consultant, 2006-2007; Executive Vice President, Enterprise Services, PacifiCare Health Systems from 2002 to 2005. Chief Executive Officer of Zyan Communications from April 2000 to November 2000. Senior Vice President and Chief Information Officer of The Walt Disney Company from 1989 to 2000. From 1986 to 1989, Deputy Director of UCLA Medical Center.  | 60                | 2000                             |
| <b><i>Incumbent Class III Directors with Terms Expiring in 2010</i></b>               |  |                   |                                  |
| Michael J. Bush   | President and CEO, 3 Day Blinds, Inc. since September 2007. Managing Member, B IV Investments, LLC since February 2007. President and Chief Executive Officer, Anchor Blue Retail Group from December 2003 to January 2007; President and Chief Executive Officer, Bally, North America, Inc. and a member of the Board of Directors of Bally International AG from September 2000 to March 2002; Executive Vice President, Chief Operating Officer and Director of Movado, Inc. from 1995 to 2000; Senior Vice President of Strategic Planning and Marketing of the Company from 1991 to 1995; Senior Consultant at Bain & Co. from 1985 to 1991. | 48                | 2001                             |
| Norman A. Ferber  | Consultant to the Company since September 1996. Chairman of the Board since March 1993; Chief Executive Officer  | 60                | 1987                             |

of the Company from March 1993 through August 1996; President and Chief Executive Officer from January 1988 to March 1993; President and Chief Operating Officer from February 1987 to January 1988. Prior to February 1987, Mr. Ferber was Executive Vice President, Merchandising, Marketing, and Distribution of the Company.

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***Incumbent Class I Directors with Terms Expiring in 2011***

|                  |  |    |      |
|------------------|--|----|------|
| George P. Orban  | Managing partner of Orban Partners, a private investment company, since May 1984. Chairman of the Board of Egghead.com, Inc. from January 1997 to August 2001, and Chief Executive Officer from January 1997 to November 1999. | 63 | 1982 |
| Donald H. Seiler | Founding Partner of Seiler, LLP since 1957. Mr. Seiler is a Certified Public Accountant.   | 80 | 1982 |

During fiscal 2008, the Board held five meetings. No incumbent member of the Board, while serving in such capacity, attended fewer than 75% of the total number of Board meetings and applicable Committee meetings held during the year. The Board of Directors has determined that Ms. Garrett and Messrs. Bjorklund, Bush, Orban, and Seiler are each an independent director under the applicable listing standards of The Nasdaq Stock Market LLC (the "Nasdaq Stock Market"). During the fiscal year, the independent directors had three meetings in executive session without management.

We have standing audit, compensation and nominating and corporate governance committees. The Board has adopted written charters for each of these committees, which are posted on the Company's corporate website, [www.rossstores.com](http://www.rossstores.com), in the "Investors" section under "Corporate Governance." The Board has also adopted a Code of Ethics for Senior Financial Officers and a Code of Business Conduct and Ethics that applies to all of our employees, officers, directors and business partners. Both of these Codes also are posted on the Company's website, as are the Company's Corporate Governance Guidelines adopted by the Nominating and Corporate Governance Committee.

**Audit Committee.** The members of the Audit Committee during fiscal 2008 were Ms. Garrett and Messrs. Seiler and Bush. Each of the members of the Audit Committee is independent under the applicable Nasdaq listing standards. The Board of Directors has also determined that Mr. Seiler is considered to be an "audit committee financial expert" and that Mr. Bush and Ms. Garrett are considered to be "financially literate," as defined in the rules of the Securities and Exchange Commission. The functions of the Audit Committee include retaining the Company's independent auditors, reviewing their independence, reviewing and approving the planned scope of the annual audit, reviewing and approving any fee arrangements with the auditors, overseeing their audit work, reviewing and pre-approving any non-audit services that may be performed by them, reviewing the adequacy of accounting and financial controls, reviewing the Company's critical accounting policies, oversight of the internal audit function, and reviewing and approving related party transactions. The Audit Committee held eight meetings during the 2008 fiscal year. The functions and activities of the Audit Committee are further described below under the heading *Board of Directors Audit Committee Report*.

**Compensation Committee.** The members of the Compensation Committee during fiscal 2008 were Messrs. Orban and Bjorklund, each of whom is independent for purposes of the applicable Nasdaq listing standards. The Committee held nine meetings during fiscal 2008. The Compensation Committee serves to carry out the responsibilities of the Board of Directors relating to compensation of the Company's executives, including the compensation of the Company's Chief Executive Officer. This Committee oversees and administers the policies and plans that govern the cash, equity and incentive compensation of executive officers and non-employee directors of the Company. The Committee is responsible for administering and establishing the terms, criteria and size of

equity compensation grants under the Company's 2008 Equity Incentive Plan and applicable predecessor plans (collectively, the "Equity Incentive Plans") and Incentive Compensation Plan, and administering the Company's Employee Stock Purchase Plan, 401(k) Plan and Nonqualified Deferred Compensation Plan. The Committee is also appointed to assist the Board in succession planning and development and retention of senior management talent, to ensure leadership continuity and organizational strength to achieve the Company's short and long-term goals.

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**Nominating and Corporate Governance Committee.** The members of the Nominating and Corporate Governance Committee during fiscal 2008 were Ms. Garrett and Messrs. Bjorklund, Bush, Orban and Seiler. Each of the members of the Nominating and Corporate Governance Committee is independent for purposes of the applicable Nasdaq listing standards. The Nominating and Corporate Governance Committee considers qualified candidates for appointment and nomination for election to the Board of Directors and makes recommendations to the full Board concerning such candidates. This Committee also provides oversight on matters involving corporate governance. This Committee held two meetings during fiscal 2008.

Biographical information concerning our executive officers is contained in our Annual Report on Form 10-K for the fiscal year ended January 31, 2009.

### **Policy and Procedure for Director Nomination**

The Nominating and Corporate Governance Committee is responsible for reviewing the qualifications, independence and skill of candidates for election to the Board of Directors. When there is a vacancy on the Board of Directors, the Nominating and Corporate Governance Committee is responsible for evaluating candidates to fill such vacancy. This Committee has a policy with regard to the assessment of director candidates, including candidates recommended by stockholders. This assessment generally will include consideration of criteria including those listed below:

- (i) personal and professional integrity, ethics and values;
- (ii) experience in corporate management, such as serving as an officer or former officer of a publicly held company, and a general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today's business environment;
- (iii) relevant business experience, at a senior management level, preferably in a retail or related industry;
- (iv) experience as a board member of another publicly held company;
- (v) academic expertise in an area of the Company's operations;
- (vi) practical and mature business judgment, including the ability to make independent analytical inquiries;
- (vii) whether the nominee is "independent" for purposes of Securities and Exchange Commission rules and Nasdaq listing standards applicable to the Company;
- (viii) potential conflicts of interest; and
- (ix) other qualifications and characteristics the Committee believes are pertinent.

In considering candidates, the Nominating and Corporate Governance Committee evaluates qualified candidates for nomination for election to open seats on the Board of Directors and makes a recommendation to the full Board concerning such candidates. The Nominating and Corporate Governance Committee will consider director candidates recommended by our stockholders, based on the same criteria listed above that would apply to candidates identified by a Committee member. There are no specific, minimum qualifications formulated by the Nominating and Corporate Governance Committee that must be met by a nominee recommended by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee believes that it is desirable for a majority of our directors to satisfy the definition of independence for purposes of the applicable Nasdaq listing standards, and for at least one director to possess the attributes necessary to be an "audit committee financial expert."

Any stockholder who wishes to recommend a director candidate must submit the recommendation in writing to us at our principal executive offices, to the attention of the Nominating and Corporate Governance Committee, so that it is received no later than 120 calendar days before the one year anniversary of the mailing date of our prior year's Proxy Statement sent to stockholders. A stockholder who recommends a person as a potential director candidate may be requested by the Nominating and Corporate Governance Committee to provide further information for purposes of evaluating the candidate and for the purpose of providing appropriate disclosure to stockholders.

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## Stockholder Communications with the Directors

The Board has adopted a process for stockholders to communicate with the Board and/or with individual directors. Stockholders may address such communications in writing to the Chairman of the Board, or to any individual director(s), c/o Ross Stores, Inc., 4440 Rosewood Drive, Pleasanton, California 94588-3050. Communications from stockholders to one or more directors will be collected and organized by our Corporate Secretary under procedures approved by the independent directors. The Corporate Secretary will forward all communications to the Chairman of the Board of Directors, or to the identified director(s), as soon as practicable, although communications that are abusive, in bad taste or that present safety or security concerns may be handled differently. The Corporate Secretary may, at his or her discretion, not forward correspondence that is primarily commercial in nature or if it relates to an improper or irrelevant topic. If multiple communications are received on a similar topic, the Corporate Secretary may, at his or her discretion, forward only representative correspondence.

## Director Attendance at Annual Meeting

We typically schedule a Board meeting in conjunction with the Annual Meeting. We expect, but do not require, that all directors will attend, absent a valid reason, such as an unavoidable scheduling conflict. Last year, all of the then members of the Board of Directors (except for Stuart G. Moldaw, who was ill and subsequently passed away) attended the 2008 Annual Meeting.

## COMPENSATION OF DIRECTORS

The chart below summarizes all compensation paid to all persons who served on our Board of Directors during fiscal 2008:

| Director Compensation (Fiscal 2008) |                              |                          |                   |                     |              |  |
|-------------------------------------|------------------------------|--------------------------|-------------------|---------------------|--------------|--|
| Name                                | Fees                         | Option                   | Stock             | All Other           | Total        |  |
|                                     | Earned or<br>Paid<br>in Cash | Awards (1)<br>(3)<br>(4) | Awards (3)<br>(5) | Compensation<br>(2) |              |  |
| Norman A. Ferber                    | \$ 0                         | \$ 53,445                | \$ 15,262         | \$ 1,269,099        | \$ 1,337,806 |  |
| Michael Balmuth*                    | \$ 0                         | \$ 0                     | \$ 0              | \$ 0                | \$ 0         |  |
| K. Gunnar Bjorklund                 | \$ 65,500                    | \$ 53,445                | \$ 15,262         | \$ 0                | \$ 134,207   |  |
| Michael J. Bush                     | \$ 63,500                    | \$ 53,445                | \$ 15,262         | \$ 0                | \$ 132,207   |  |
| John Froman**                       | \$ 9,500                     | \$ 25,840                | \$ 0              | \$ 0                | \$ 35,340    |  |
| Sharon D. Garrett                   | \$ 63,500                    | \$ 53,445                | \$ 15,262         | \$ 0                | \$ 132,207   |  |
| Stuart G. Moldaw***                 | \$ 20,500                    | \$ 53,445                | \$ 0              | \$ 189,332          | \$ 263,277   |  |
| George P. Orban                     | \$ 90,500                    | \$ 53,445                | \$ 15,262         | \$ 0                | \$ 159,207   |  |
| Donald H. Seiler                    | \$ 107,500                   | \$ 53,445                | \$ 15,262         | \$ 0                | \$ 176,207   |  |

\* Mr. Balmuth does not receive any separate compensation for his service as a member of the Board. Information regarding compensation for Mr. Balmuth is reflected in the Summary Compensation Table and the other tables and accompanying discussion.

\*\* Mr. Froman resigned from the Board in March 2008.

\*\*\* Mr. Moldaw passed away in May 2008.

(1) Option award values reflect the amortization costs recognized by the Company pursuant to FASB Statement No. 123(R), □Share-Based Payment□ (□FAS 123(R)□) during fiscal 2008 relating to proportionate vesting of outstanding stock options granted pursuant to the 2004 Equity Incentive Plan based upon a formula approved by stockholders for all non-employee Board members. For Ms. Garrett and Messrs. Ferber, Bjorklund, Bush, Moldaw, Orban and Seiler the amounts shown reflect options as follows: \$4,541 related to a stock option award of 9,029 shares granted on May 19, 2005, with a total award value of \$72,731 at grant date; \$26,049 related to a stock option award of 9,351 shares granted on May 18, 2006, with a total award value of \$75,968 at grant date; and \$22,855 related to a stock option award of 8,094 shares granted on May 24, 2007, with a total award value of \$68,815 at grant date. Mr. Froman joined the Board on November 20, 2007 and resigned from the Board in March 2008; the Company recognized amortization costs of \$25,840 in

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2008 related to the grant to him of an option to purchase 12,360 shares, which had a total award value of \$77,805 at grant date.

- (2) All other compensation for Mr. Ferber is paid pursuant to his Consultancy Agreement and Retirement Benefit Package Agreement described below under the caption Other Director Compensation. The amount listed is comprised of consulting fees of \$1,100,000; benefits valued at \$64,988 paid under the terms of his Retirement Benefit Package Agreement (which includes executive medical, dental, vision and mental health insurance, life insurance, accidental death and dismemberment insurance, travel insurance, group excess personal liability insurance, estate planning expense reimbursements and certain "matching contributions" (as that term is defined in his agreement)); income tax gross-up payments of \$14,411; \$1,963 in perquisites; and administrative support inclusive of benefits valued at \$87,737 All other compensation for Mr. Moldaw includes consulting fees of \$50,000, administrative support valued at \$118,420, and health benefits valued at \$20,912 paid pursuant to his consulting agreement with the Company described below under the caption Other Director Compensation. As noted with respect to the Perquisites table for Executive Compensation, occasionally directors and family members of executives or directors may join executives on Company-provided private aviation flights made for business purposes if there is a seat that would otherwise go unfilled. Because this benefit has no incremental cost to the Company, it is not reflected in the table.
- (3) The outstanding equity awards at fiscal year end for non-employee Directors were as follows:
- a. Mr. Ferber: Options for 78,474 shares of common stock and 2,144 shares of the Company's common stock that were granted under the Company's Equity Incentive Plans that remain subject to vesting.
  - b. Mr. Bjorklund: Options for 52,474 shares of common stock and 2,144 shares of the Company's common stock that were granted under the Company's Equity Incentive Plans that remain subject to vesting.
  - c. Mr. Bush: Options for 52,474 shares of common stock and 2,144 shares of the Company's common stock that were granted under the Company's Equity Incentive Plans that remain subject to vesting.
  - d. Ms. Garrett: Options for 50,474 shares of common stock and 2,144 shares of the Company's common stock that were granted under the Company's Equity Incentive Plans that remain subject to vesting.
  - e. Mr. Moldaw: Options for 69,961 shares of common stock as of May 2008.
  - f. Mr. Orban: Options for 78,474 shares of common stock and 2,144 shares of the Company's common stock that were granted under the Company's Equity Incentive Plans that remain subject to vesting.
  - g. Mr. Seiler: Options for 46,474 shares of common stock and 2,144 shares of the Company's common stock that were granted under the Company's Equity Incentive Plans that remain subject to vesting.
- (4) The total value to be expensed over the amortization or vesting period for each option was determined using the Black-Scholes option pricing model with the weighted average assumptions for expected life of the option from grant date, expected volatility, risk free interest rate and dividend yield disclosed as follows:
- a. Options granted on May 19, 2005, described in Note A of our Form 10-Q for the second quarter of fiscal 2005 filed on September 8, 2005.
  - b. Options granted on May 18, 2006, described in Note B of our Form 10-Q for the second quarter of fiscal 2006 filed on September 6, 2006.
  - c. Options granted on May 24, 2007, described in Note B of our Form 10-Q for the second quarter of fiscal 2007 filed on September 12, 2007.
  - d. Options granted on November 20, 2007, described in Note C of our Form 10-K for fiscal 2007. Mr. Froman and Mr. Moldaw forfeited 12,360 and 8,513 options, respectively, when they left the Board in fiscal 2008.
- (5) Stock award values reflect the amortization expense recognized by the Company in accordance with FAS 123(R) for fiscal 2008 relating to outstanding restricted stock granted to directors. The total value to be expensed over the amortization or vesting period for each award was determined by multiplying the number

of shares of restricted stock granted by the closing price of Ross Stores, Inc. common stock as reported on The Nasdaq Global Select Market (the "Nasdaq") on the date of grant. For fiscal 2008, the amounts shown for Ms. Garrett and Messrs. Ferber, Bjorklund, Bush, Orban and Seiler reflect: \$15,262 related to a restricted stock award of 2,144 shares granted on June 18, 2008, with a total award value of \$78,492 at grant date.

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### **Standard Fee Arrangements and Restricted Stock Grant Formula.**

During the 2008 fiscal year, directors who were not employees of the Company ("non-employee directors") received an annual retainer fee of \$38,000 (paid quarterly), plus \$1,500 for attendance at each Board meeting, \$2,000 for attendance at each meeting of the Audit Committee or Compensation Committee of the Board, and \$1,000 for attendance at each meeting of the Nominating and Corporate Governance Committee. The Chairman of the Audit Committee (Mr. Seiler) and the Chairman of the Compensation Committee (Mr. Orban) received additional annual retainers of \$44,000 and \$25,000, respectively.

In fiscal 2008, the Ross Stores, Inc. 2004 Equity Incentive Plan was terminated and the Ross Stores, Inc. 2008 Equity Incentive Plan (the "2008 Plan") was approved by the Company's stockholders. Under the terms of the 2008 Plan, the Compensation Committee adopted the Nonemployee Director Equity Award Program (the "Program") which provides for the automatic grant of restricted stock awards each year to the Company's non-employee directors.

In fiscal 2008, the Company transitioned directors from options to restricted stock awards. This change was intended to reduce the dilution and expense resulting from option grants and to align directors with the way executives are currently compensated. As with the formula under which options were granted in the past, the full value award base amount for grants of restricted stock increases 3% annually.

The Program provides that new directors, upon joining the Board, receive an initial restricted stock award, determined by a formula, for a number of shares equal to a base amount of \$130,000 (increasing 3% each fiscal year beginning in 2009) divided by the closing price per share of the Company's common stock on the Nasdaq on the date of grant. The Program also provides for an annual restricted stock award, determined by formula, for a number of shares equal to a base amount of \$76,000 (increasing 3% each fiscal year beginning in 2009) divided by the closing price per share of the Company's common stock on the Nasdaq on the date of the grant, which is the date of the Annual Meeting. In fiscal 2008, the Compensation Committee approved an automatic grant of shares equal to \$76,000 divided by the closing price per share of the Company's common stock on the Nasdaq on the date of the 2008 Annual Meeting and granted on June 18, 2008. Restricted stock awards granted to non-employee directors vest 1/3 on the first anniversary of the grant, 1/3 on the second anniversary of the grant and 1/3 on the third anniversary of the grant, provided that the individual's service has not terminated.

On June 18, 2008, each of Ms. Garrett and Messrs. Bjorklund, Bush, Ferber, Orban, and Seiler were granted restricted stock awards for 2,144 shares of common stock under the 2008 Plan.

### **Other Compensation.**

Norman A. Ferber. Mr. Ferber receives compensation for his services pursuant to an Independent Contractor Consultancy Agreement ("Consultancy Agreement") with the Company that originally became effective February 1, 2000 and most recently was amended effective March 19, 2008. The agreement currently extends through January 31, 2012 ("Consultancy Termination Date"). While he serves as a consultant to the Company, Mr. Ferber receives a consulting fee of \$1,100,000 annually, paid in monthly installments, and has voluntarily declined the annual retainer and meeting fees otherwise payable to non-employee directors. Mr. Ferber continues to receive restricted stock under the Company's Equity Incentive Plans. The Consultancy Agreement will terminate in the event of Mr. Ferber's death, and provides for the Company to reimburse Mr. Ferber (including a gross-up amount for applicable income taxes) for estimated premiums, from 2006 through the Consultancy Termination Date, on a life insurance policy for Mr. Ferber with a death benefit of \$2,000,000.

In the event there is a change in control of the Company, Mr. Ferber would be entitled to continued payment of his then current consulting fee through the Consultancy Termination Date or any extension thereof. In the event that Mr. Ferber provides consulting services in connection with a change in control, he will receive a single payment of \$1,500,000 upon the consummation of the transaction even if the consummation occurs after the Consultancy Termination Date or any extension thereof. Further, he would be reimbursed for any excise taxes he pays pursuant

to Internal Revenue Code Section 4999.

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Additionally, effective February 1, 2000 the Company entered into a Retirement Benefit Package Agreement ("Benefit Agreement") with Mr. Ferber. The Benefit Agreement provides that the Company, or its successor, will provide at no cost to Mr. Ferber, health and other benefits under the Company's plans for Mr. Ferber and his immediate family until the death of both Mr. Ferber and his spouse. In addition, the Company will provide all other employee benefits typically offered to its executive officers until the death of Mr. Ferber and his spouse. Under the agreement, if, as a result of Mr. Ferber's status as a consultant to the Company, he becomes ineligible to participate in any of the Company's employee benefit plans, the payments made under this Benefit Agreement will increase to enable Mr. Ferber to procure (to the extent available) such benefits at no additional after tax cost to him. In addition, the Company has agreed to provide administrative support for Mr. Ferber as long as he serves as a member of the Company's Board.

Stuart G. Moldaw. In addition to standard compensation received as a non-employee Board member, until his death in May 2008, Mr. Moldaw received compensation and benefits pursuant to an agreement with the Company that provided for administrative support and an annual fee of \$100,000 for his services as a consultant to the Company. The Company also agreed to provide Mr. Moldaw and his spouse executive medical, dental, and vision benefits until their respective deaths. Several years ago, the Company had arranged for a split dollar life insurance policy, with a face value of \$3,500,000, for the benefit of Mr. Moldaw. No premiums were paid on the policy by the Company during fiscal 2008. In 2008, the Board of Directors approved a release to Mr. Moldaw's estate, of the Company's interest in the residual value of the split dollar life insurance policy, valued at \$285,000 as of February 2, 2008. In addition, after Mr. Moldaw's death, the Company agreed to continue the employment of Mr. Moldaw's assistant to provide administrative support to his estate through May 2009.

## **PROPOSAL 2 RATIFY THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our Audit Committee has appointed Deloitte & Touche LLP ("Deloitte") as the independent registered public accounting firm for the Company for the fiscal year ending January 30, 2010. It is anticipated that a representative of Deloitte will be present at the Annual Meeting to respond to appropriate questions and to make a statement if he or she so desires.

### **Vote Required and Board of Directors' Recommendation**

The affirmative vote of a majority of the shares of common stock present or represented by proxy and voting at the Annual Meeting is required for approval of this proposal. Abstentions and broker non-votes each will be counted as present in determining if a quorum is present, but will not be counted as having been voted on this proposal.

Stockholder ratification of the selection of Deloitte as our independent registered public accounting firm is not required by our bylaws or otherwise. The Board, however, is submitting the selection of Deloitte to our stockholders for ratification as a matter of good corporate governance. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain Deloitte. Even if the selection is ratified, the Audit Committee at their discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and our stockholders.

**The Board of Directors unanimously recommends that the stockholders vote FOR approval of the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending January 30, 2010.**

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**ROSS STORES, INC.**  
**BOARD OF DIRECTORS AUDIT COMMITTEE REPORT**

The Audit Committee of the Board of Directors is responsible for monitoring the integrity of the Company's consolidated financial statements, its system of internal controls and the independence and performance of both its internal and independent auditors. The Audit Committee is also responsible for the selection and engagement of the Company's independent auditors. The Audit Committee is composed of three non-employee directors and operates under a written charter adopted and approved by the Board of Directors. This charter is viewable on the Company's website, [www.rossstores.com](http://www.rossstores.com), in the "Investors" section under "Corporate Governance." Each Committee member is independent as defined by the applicable Nasdaq listing standards.

Management is responsible for the financial reporting process, including the system of internal controls, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The Company's independent auditors are responsible for auditing those financial statements. Our responsibility is to monitor and review these processes. We rely, without independent verification, on the information provided to us and on the representations made by management and the independent auditors.

In this context, we held eight meetings during fiscal 2008. The meetings were designed, among other things, to facilitate and encourage communication among the Audit Committee, management, the internal auditors and the Company's independent registered public accounting firm, Deloitte. We discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. We met with the internal and independent auditors, with and without management present, to discuss the results of their examinations and their evaluations of the Company's internal controls.

We have reviewed and discussed the audited consolidated financial statements for the fiscal year ended January 31, 2009 with management and Deloitte.

We also discussed with the independent auditors matters required to be discussed with audit committees under standards by the Public Company Accounting Oversight Board ("PCAOB"), including, among other things, matters related to the conduct of the audit of the Company's consolidated financial statements and other required communications with Audit Committees.

In addition, the Audit Committee discussed with Deloitte their independence from management and the Company, including matters in the written disclosures required by PCAOB Ethics and Independence Rule 3256 ("Communications with Audit Committees Concerning Independence"). When considering Deloitte's independence, we considered whether their provision of services to the Company beyond those rendered in connection with their audit and review of the Company's consolidated financial statements was compatible with maintaining their independence. We also reviewed, among other things, the fees paid to Deloitte for audit and non-audit services.

Based on our review and these meetings, discussions and reports, and subject to the limitations on our role and responsibilities referred to above and in the Audit Committee Charter, we recommended to the Board of Directors that the Company's audited consolidated financial statements for the fiscal year ended January 31, 2009 be included in the Company's Annual Report on Form 10-K. We also selected Deloitte as the Company's independent registered public accounting firm for the fiscal year ending January 30, 2010, and are requesting that our stockholders ratify this appointment.

**Summary of Audit, Audit-Related, Tax and All Other Fees**

The Audit Committee reviews and approves all proposed audit and non-audit engagements and related fees of Deloitte. In addition, any audit and non-audit fees for newly proposed professional services that arise during the year, or changes to previously approved fees and work, are reviewed and approved in advance of commencement of such services by the Audit Committee at their regularly scheduled meetings throughout the fiscal year. Should a situation arise that requires approval between meetings, the Audit Committee has delegated authority to its Chairman to authorize such pre-approval and report on same at the following regularly scheduled meeting.

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The following table summarizes the aggregate fees billed by Deloitte for professional services to the Company rendered during fiscal 2008 and 2007.

| <b>Fees</b>         | <b>Fiscal Year 2008</b> | <b>Fiscal Year 2007</b> |
|---------------------|-------------------------|-------------------------|
| Audit Fees          | \$1,128,000             | \$1,127,000             |
| Audit-Related Fees  | 143,000                 | 170,000                 |
| Tax Fees            |                         |                         |
| Tax Compliance Fees | 131,000                 | 251,000                 |
| Other Tax Services  | 13,000                  | 15,000                  |
| All Other Fees      | --                      | --                      |
| Total Fees          | \$1,415,000             | \$1,563,000             |

Audit Fees in fiscal 2008 and 2007 included fees related to the audit of the financial statements included in the Company's Annual Report on Form 10-K, reviews of the financial statements included in Quarterly Reports on Form 10-Q and Sarbanes-Oxley compliance services. Audit-Related Fees were for consultation on accounting standards or transactions and audits of employee benefit plans and Sarbanes-Oxley advisory services. Tax Fees were for tax-related services, consisting of compliance services (preparation or review of the Company's tax returns, and other tax compliance matters) and other tax services. All of the services reflected in the table were pre-approved by the Audit Committee.

**SUBMITTED BY THE AUDIT COMMITTEE OF THE  
COMPANY'S BOARD OF DIRECTORS**

**Donald H. Seiler, Chairman  
Michael J. Bush  
Sharon D. Garrett**

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## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

#### Compensation Philosophy and Objectives

We believe in strongly aligning executive compensation with stockholder interests. To achieve this end, the executive compensation program is designed to:

- Attract, motivate, and retain a strong leadership team to create and sustain our business success in the challenging off-price apparel and home goods market.
- Reinforce our high performance culture and values through programs focused on accountability that are also highly leveraged to deliver above market compensation opportunities for superior performance and results.
- Create alignment of interests between the executive leadership team and stockholders, focused on longer-term stockholder value creation.
- Differentiate executive pay to recognize critical skills, contributions, and current and future potential impact on the organization's success.

We operate in the challenging off-price apparel and home goods industry, where we are the second largest retailer. To effectively compete in this environment, we need to attract and retain a senior management team with the necessary background, qualifications, expertise and experience to efficiently execute our off-price strategies in all facets of our operations.

The Company and the Compensation Committee of the Board of Directors (the "Committee") have implemented executive compensation programs designed to align our executive officers' pay with the long-term strategic goals of the Company, recognize individual initiative and achievements, and assist us in attracting, motivating and retaining high-performing executives.

These complimentary programs also create effective incentives for achievement of short and long-term corporate performance goals, promote the retention of key executives and help to optimize the financial returns to stockholders.

A significant portion of the total potential compensation of our executive officers (that is the executive officers named in the Summary Compensation Table on page 25 (the "NEOs") and our other Executive Vice Presidents and Senior Vice Presidents) is linked to Company performance. It is paid in the form of annual incentive bonuses under the Incentive Compensation Plan that vary based on the Company's degree of achievement of pre-established pre-tax profit targets, and stock plan awards, which vary by position, individual performance and contribution levels.

We believe that the components of the total compensation program for executives outlined in this report work together to enable us to attract, motivate and retain the executive talent necessary to successfully execute our strategies over the longer term in a competitive retail environment.

To meet these objectives, our executive compensation packages include the following three primary elements, as well as other perquisites and benefits typically offered to senior executive officers.

- 1. Base Salary** □ A fixed cash compensation amount that is competitive within the markets in which we compete for executive talent. Base pay recognizes individual skills, competencies, experience, job accountabilities, and organizational impact. Pay is adjusted periodically via both an annual review process and individual circumstances. During fiscal 2008, the base salary paid to the NEOs as a group increased 4.3% over the prior year.

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- 2. Annual Cash Incentives** □ A short-term cash Incentive Compensation Plan designed to link compensation for the entire executive team to annual Company performance targets. The annual incentive bonus performance target is pre-tax earnings. All executive officers are motivated to achieve the same goals. Senior executive levels in our organization have an increasingly higher proportion of total compensation at risk compared to lower levels. For fiscal 2008, cash incentives earned by our NEOs as a group under the Incentive Compensation Plan averaged 123% of the base salary earned by them during the fiscal year. The amount payable to them was determined by formula based on the level of actual pre-tax earnings achieved relative to the target established and approved by the Compensation Committee at their meeting on March 19, 2008.

- 3. Long-Term Equity Incentives** □ Historically these have consisted of equity awards in the form of restricted stock and non-qualified stock option grants that vest over several years. Highly differentiated by individual, these awards vary in amount by level, contribution, performance and uniqueness of skill set. These longer-term components have the potential to be one of the largest pieces of an executive's total compensation. During 2008, we recognized total expense of \$8.2 million for CEO compensation, of which \$5.2 million or approximately 63% was related to longer-term equity plan awards, with 13% of the total cost in the form of guaranteed base salary. For all five NEOs as a group, approximately 50% of total compensation expense was related to longer-term equity awards, with 21% in the form of guaranteed base salary. These equity awards also help to ensure that the long-term interests of the Company remain our executives' highest priority. They also are the primary tool for ensuring retention of key contributors and promoting executive continuity.

In fiscal 2007, the Company transitioned to annual performance share awards in lieu of annual stock option grants for all executive officers,

except the Chief Executive Officer ("CEO"). The performance share awards granted in 2008 had a performance period of one year with a performance goal based on an annual adjusted pre-tax profit target and vest over three years. Expected benefits from our shift toward performance share awards include potentially lower expense recognition, a reduction in share dilution, and lower annual equity plan run rate levels. These benefits are intended to reduce the overall shareholder investment impact from the Company's equity plans.

The objective of equity awards to our CEO is to provide focus on performance over a time horizon tied to his employment contract term. As a result, our CEO historically has not received annual equity awards. All equity grants to our CEO, consisting of restricted stock awards and stock option grants, have been made in conjunction with the renewal of his employment agreement. The options granted had a vesting schedule with no shares vesting in the initial two years after the option grant date, 40% of the shares vesting in the third year and 60% of the shares vesting in the fourth year. The weighting of this vesting schedule, with the majority of shares vesting in the fourth year, tied to the term of his employment agreement with the Company to enhance the retentive value of the award. In addition, this vesting structure strengthened the CEO's focus on maximizing the longer-term financial performance and market value of the Company.

Going forward, the Compensation Committee believes that full value awards can provide more effective incentives for both performance and retention at a comparable cost to stock option awards for all executive officers, including the CEO. For fiscal 2009, the CEO equity grant consisted of a mix of performance share awards and restricted stock. The performance share awards granted in 2009 have a performance period of one year with a performance goal based on an annual adjusted pre-tax profit target (the same performance period and performance goal as other executives receiving performance share awards). The performance shares earned will vest on January 28, 2012 and the restricted stock will vest on March 18, 2012. The Company expects this change to create more effective alignment of common goals across the leadership team.

Another important objective for the Company is to minimize the amount of voting power dilution from its equity plans. We define voting power dilution as the sum of the shares available for future grant under the Company's equity incentive plan plus all outstanding and unexercised stock option shares plus all unvested restricted and performance shares (the "potentially dilutive equity incentive plan shares") divided by the sum of the shares of the Company's common stock outstanding plus the potentially dilutive equity incentive plan shares. Although this metric may vary from year to year, the goal over the

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long term is to keep average total voting power dilution from exceeding 10%. The Company anticipates that its decision to put more emphasis on full value awards will result in reduced voting power dilution, lower annual equity plan run rate levels and a decline in the overall shareholder investment impact from the Company's equity plans.

In determining the appropriate levels of compensation for each executive position, we consider a variety of different elements, including competitive data, information from recruiters, and opinions and other information provided by compensation consultants. We review comparative market compensation practices data that reflect the competitive labor markets in which we compete for executive talent at retailers with similar complexity and financial characteristics, as well as at non-retail companies for functional leadership roles that are highly mobile across industry segments (e.g., finance, information technology, legal, human resources).

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In addition, we consider each executive's experience, background, and prior salary history plus our general knowledge of peer group practices. The combination of these resources provides sufficient data for us to determine the total compensation levels that will enable us to recruit, motivate and retain top talent and to establish competitive compensation packages for our NEOs and other executive officers. Individual total compensation is tied to the overall degree of success or failure of the Company and serves to motivate executive officers to meet relevant performance measures or targets, thereby maximizing total return to stockholders.

### Comparative Framework

A range of competitive and peer group information on executive compensation is reviewed by the Company and the Compensation Committee on a periodic basis. The peer companies chosen can vary for each of the executive positions.

In fiscal 2006 the Committee retained an independent compensation consulting firm, Towers Perrin (the "Consultant"), to assist in its review of key elements of our executive compensation programs and to recommend any appropriate modifications. In fiscal 2008, the Committee retained another independent consulting firm, Hewitt Associates, to assist the Committee in its executive and CEO compensation structure and strategy. The Consultant provided market data advice to the Compensation Committee with respect to competitive practices and the amount and nature of compensation paid to executive officers at other companies operating in similar competitive environments. The Consultant collected data on a number of off-price, department store, discount store, specialty store, and apparel and home goods retailers that it believed had similar business models, competitive challenges and/or operating and financial characteristics when compared to the Company. The Consultant provided an assessment of competitive positioning for each of the Company's executive officer compensation packages, including base salary, annual incentive target, long-term equity and total overall compensation vis-à-vis the level of compensation for executive officers performing similar job functions in companies in their relevant peer group. This analysis provided a reference point for fiscal 2007 and 2008 discussions of compensation for our executive officers.

Although the Committee considers the compensation practices of peer companies, it does not make any determinations or changes in compensation in reaction to that market data alone. The Compensation Committee also does not target compensation to a specific point or range within any peer group. Therefore, it uses peer group data as one of a number of factors in determining compensation levels and packages.

The Committee reviews data on the following peer retailers listed below every two years.

|                         |                          |  |                            |
|-------------------------|--------------------------|--|----------------------------|
| Ann Taylor Stores Corp. | Bed Bath & Beyond, Inc.  | Big Lots, Inc.<br>The Children's Place | BJ's Wholesale Club, Inc.  |
| Charming Shoppes Inc.   | Chico's FAS, Inc.        | Retail Stores, Inc.                    | Dillard's, Inc.            |
| Dollar General Corp.    | Dollar Tree Stores, Inc. | Dress Barn, Inc.                       | Family Dollar Stores, Inc. |
| Foot Locker, Inc.       | Gap Inc.                 | Jones Apparel Group, Inc.              | Kohl's Corporation         |
| Limited Brands, Inc.    | Liz Claiborne Inc.       | Nordstrom, Inc.                        | Office Depot, Inc.         |
| Payless Shoesource      | PetSmart, Inc.           | Staples, Inc.                          | Stein Mart, Inc.           |
| The Talbots, Inc.       | The TJX Companies, Inc.  | Williams-Sonoma, Inc.                  |                            |

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The Committee also reviewed data from the Towers Perrin's 2006 Compensation Retail/Wholesale industry DataBank of 50 retail organizations.

|                                |                                    |   |                                      |
|--------------------------------|------------------------------------|---|--------------------------------------|
| Adidas America                 | Ann Taylor Stores Corp.            | The Great Atlantic &<br>Pacific Tea Company, Inc. | Applebee's International, Inc.       |
| AutoZone, Inc.                 | Best Buy Co., Inc.                 | Big Lots, Inc.                                    | Blockbuster Inc.                     |
| The Chanel Companies           | Circle K                           | Coach, Inc.                                       | Coldwater Creek, Inc.                |
| Columbia Sportswear<br>Company | CVS Caremark Corp.                 | Darden Restaurants, Inc.                          | Federated Department<br>Stores, Inc. |
| Foot Locker, Inc.              | Gap Inc.                           | Hannaford Bros. Co.                               | Harry Winston, Inc.                  |
| The Home Depot, Inc.           | J.C. Penney Company, Inc.          | J. Crew Group, Inc.                               | Kohl's Corporation                   |
| Levi Strauss & Co.             | L.L. Bean, Inc.                    | Longs Drug Stores Corp.                           | NIKE Inc.                            |
| Office Depot, Inc.             | Papa John's International,<br>Inc. | PetSmart, Inc.                                    | Phillips-Van Heusen Corp.            |

|                          |                               |                        |                            |
|--------------------------|-------------------------------|------------------------|----------------------------|
| Polo Ralph Lauren Corp.  | Raley's Family of Fine Stores | Ross Stores, Inc.      | RSC Equipment Rental, Inc. |
| Safeway Inc.             | Sears Holdings Corporation    | 7-Eleven, Inc.         | The Sports Authority, Inc. |
| Staples, Inc.            | Target Corporation            | Tiffany & Co.          | Toys 'R' Us, Inc.          |
| True Value Company       | United Rentals, Inc.          | United Stationers Inc. | The Warnaco Group, Inc.    |
| Whole Foods Market, Inc. | Williams-Sonoma, Inc.         |                        |                            |

## CEO Compensation

For fiscal 2008, we increased the base salary paid to the CEO by 1.2% over the prior year based on the annual Company-wide review process. The annual incentive bonus portion of the CEO's compensation is based on the Company's achievement of targeted pre-tax earnings, as established by the Compensation Committee. During fiscal 2008, the Company's results were above the target threshold pre-tax earnings goal (see Grants of Plan-Based Awards Table on page 30). As a result, Mr. Balmuth received a bonus of \$1,721,369 for fiscal 2008.

The process of setting and structuring compensation for our CEO includes an assessment of the CEO compensation packages offered by comparable retail companies. In 2007, in conjunction with the renewal of the CEO's employment agreement, we conducted a review of the compensation practices of a peer group of companies to assess the relative competitiveness of our CEO compensation. This review was conducted for the compensation awarded to the CEO in March 2007, for which the Committee engaged the compensation consulting firm of Towers Perrin to perform a review of publicly available Proxy Statement disclosures for selected retailers listed above. The Committee also evaluated the financial and operating performance of those companies over a three and six year timeframe to gauge the Company's comparative performance relative to this peer group. As indicated above, in 2008 the Committee retained Hewitt Associates to assist with, among other things, fiscal 2009 CEO compensation consulting.

The Compensation Committee utilized this practice of assessing CEO compensation levels and performance history among peer group companies to provide a reference point for fiscal 2007 and fiscal 2008 discussions of compensation for our CEO. However, true analogs to Ross are difficult to find in the traditional retail apparel sector. The Compensation Committee believes that the CEO's off-price industry skills, familiarity with the Company and senior management expertise are critical to the continued success of the Company. In addition, the Compensation Committee's strong belief is that continuity of leadership at the CEO level has been key to the Company's successful long-term performance. Therefore, the Compensation Committee pays significant attention to long-term equity incentives in structuring compensation packages for our CEO, with performance and retention over the longer term being the foremost consideration.

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## Oversight of the Executive Compensation Program

The Compensation Committee serves to carry out the responsibilities of the Board with respect to compensation of our executives, including the compensation of our CEO. The Compensation Committee establishes our policies and oversees and administers the policies and plans that govern the cash, equity and incentive compensation of our executive officers. The Compensation Committee is responsible for administering the Company's 2008 Equity Incentive Plan and applicable predecessor plans (the "Equity Plan"), overseeing the Employee Stock Purchase Plan, and administering and determining the performance goals under the Incentive Compensation Plan. The Compensation Committee is also appointed to assist the Board in succession planning, and development and retention of senior management talent to ensure leadership continuity and organizational strength to achieve the Company's short and longer-term goals.

The Compensation Committee is comprised of two independent directors, George P. Orban and K. Gunnar Bjorklund. Mr. Orban serves as Chairman of the Compensation Committee. Both members meet the independence requirements under the Securities and Exchange Commission rules and applicable Nasdaq listing standards.

In establishing compensation for executive officers, the following are the Compensation Committee's main objectives:

- Attract and retain individuals with superior off-price merchandising and operational ability and managerial talent;
- Ensure our executive officer compensation is aligned with the Company's corporate strategies, business objectives, and the longer-term interests of the Company's stockholders;
- Motivate executives to achieve the key strategic and financial performance objectives by linking incentive award opportunities to the achievement of performance goals; and
- Motivate executives to implement strategies that will drive strong financial performance and maximize stockholder value, as well as promote retention of key people, by providing a significant portion of total compensation opportunities for executive management in the form of direct ownership in the Company through the grants of various equity awards.

The Board has delegated to the Compensation Committee the authority to determine and approve the compensation awards made to the Company's executive officers, including the granting of equity awards such as restricted stock, performance shares and stock options. To aid the Compensation Committee in making its determinations, the CEO provides recommendations annually to the Compensation Committee regarding the compensation of all executive officers, excluding himself. The CEO also provides input regarding different individuals' contributions to the Company's success during the period being assessed, and recommends rewards for these contributions.

### **Components of the Executive Compensation Program**

#### **1. Base Salary**

Base salaries for executive officers are initially determined by competitive requirements to recruit the executive. Salaries are then reviewed annually with adjustments recommended by the CEO based upon competitive market information relating to salary levels, the individual performance of each executive officer and his or her relative contribution in achieving the Company's strategic goals.

Effective April 2007, the Company entered into a Third Amendment to the Company's 2001 Employment Agreement with the CEO which outlined, among other things, his compensation during the current term. Under this contract, the CEO's base salary may be adjusted from time to time by the Board in accordance with normal business practices by the Company.

In March 2008, at the same time as the Company conducted its annual salary review cycle for all executive officers, our CEO's base pay was increased, resulting in a 1.2% increase in total base salary paid to our CEO during the year. No other changes were made to our CEO's base salary during fiscal 2008.

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#### **2.**

#### **Annual Cash Incentives**

The Incentive Compensation Plan is designed to motivate individual and team performance toward achievement of pre-established targeted levels of pre-tax earnings. "Adjusted pre-tax earnings" is defined as the earnings before taxes as reported in the Company's consolidated statement of earnings for the fiscal year coinciding with the performance period, adjusted to exclude the reduction in earnings resulting from the accrual of compensation expense for annual incentive awards and performance share awards, granted with respect to the performance period. The pre-tax earnings target is determined annually in accordance with the Company's five-year planning process, its annual budget process and its long-term earnings per share growth objective. For fiscal 2008, the pre-tax earnings target was an amount that would generate earnings per share increases in line with these short and long term objectives.

At the commencement of each fiscal year, the Compensation Committee determines the incentive awards payable at various levels of pre-tax earnings that may be achieved relative to its pre-established target. The awards are expressed as a percentage of base salary and are payable in the form of cash bonuses after fiscal year-end pursuant to this formula.

For fiscal 2008, the amount payable to the NEOs was determined by the level of actual adjusted pre-tax earnings achieved relative to the target established and approved by the Committee at its meeting on March 19, 2008. The pre-tax profit target and incentive award payout formula was:

| <b>FY 2008 Adjusted<br/>Pre-Tax Profit</b> | <b>Percent of Profit Target</b> | <b>Percent of Target Bonus Paid</b> |
|--|---------------------------------|-------------------------------------|
|  | <85%                            | 0%                                  |
| \$426,255,205                              | 85%                             | 50%                                 |
| \$501,476,712                              | 100%                            | 100%                                |
| \$601,772,054                              | 120%                            | 200%                                |

In fiscal 2008, the Company achieved a level of pre-tax profit relative to the target which will result in the payout of 166.7% of the target award (see Grants of Plan-Based Awards Table on page 32).

**3.**

**Long-Term Equity Incentives**

In fiscal 2008, our executive officers were eligible for performance share awards, restricted stock awards and stock option grants under the Equity Plan. Performance share awards, restricted stock awards and stock option grants have two important objectives: (1) to align the financial interests of our executive officers with the interests of our stockholders by providing incentives that focus management's attention on the successful longer-term strategic management of the business, and (2) to attract, motivate and retain a high-performing group of managers.

The Compensation Committee approves the granting of all equity awards to executive officers under the Equity Plan. The Compensation Committee takes into consideration the year-over-year financial impact on pre-tax earnings and earnings per share of such awards. During fiscal 2008, the Company recognized non-cash stock-based compensation expense of approximately \$22.6 million, of which about \$16.4 million related to amortization of restricted stock, \$5.4 million related to stock options and employee stock purchase plan charges (ESPP) and \$0.8 million related to amortization of performance share awards.

**CEO**

The objective of equity awards to our CEO is to provide focus on performance over a time horizon tied to his employment contract term. As a result, our CEO historically has not received annual equity awards. All equity grants to our CEO, consisting of restricted stock awards and stock option grants, have been made in conjunction with the renewal of his employment agreement. The options granted had a vesting schedule with no shares vesting in the initial two years after the option grant date, 40% of the shares vesting in the

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third year and 60% of the shares vesting in the fourth year. The weighting of this vesting schedule, with the majority of shares vesting in the fourth year, tied to the term of his employment agreement with the Company to



enhance the retentive value of the award. In addition, this vesting structure strengthened the CEO's focus on maximizing the longer-term financial performance and market value of the Company.

Going forward, the Compensation Committee believes that full value awards can provide more effective incentives for both performance and retention at a comparable cost to stock option awards for all executive officers, including the CEO. For fiscal 2009, the CEO equity grant consisted of a mix of performance share awards and restricted stock. The performance share awards granted in 2009 have a performance period of one year with a performance goal based on an annual adjusted pre-tax profit target (the same performance period and performance goal as other executives receiving performance share awards). The performance shares earned will vest on January 28, 2012 and the restricted stock will vest on March 18, 2012. The Company expects this change to create more effective alignment of common goals across the leadership team.

#### **NEO (other than the CEO) Equity Awards**

Each NEO received a restricted stock award in fiscal 2008. The value of the restricted stock awards is based on the individual's prior and outstanding awards, the vesting of such awards, as well as a subjective analysis of each individual's scope of responsibilities, individual performance, criticality to the Company, expected future contributions to the Company, and cost of replacing the executive.

In addition, each NEO, except the CEO, was granted a performance share award. Performance share awards are rights to receive shares of Ross common stock on a specified date if the Company attains a predetermined performance goal. Shares issued upon attaining the performance goal are subject to a separate vesting schedule based on continual service by the recipient (performance shares granted in fiscal 2008 vest over a three-year period beginning on the date of grant as follows: 30% on March 31, 2009; 30% on March 31, 2010; and 40% on March 31, 2011). The size of the performance share award varied by executive position and was based on a target dollar value of the award divided by the stock price on the date of grant. Adjusted pre-tax profit was chosen by the Committee as the performance measurement for the performance share awards for the same reasons as set forth under Annual Cash Incentives above. The actual number of performance shares earned for fiscal 2008 was determined based on company performance measured over a one-year period against the predetermined performance goals as follows:

| <b>FY 2008 Adjusted<br/>Pre-Tax Profit</b> | <b>Percent of<br/>Profit Target Achieved</b> | <b>Percent of Target Performance<br/>Shares Issued as Common<br/>Shares</b> |
|--|--|---|
|  | <90%   | 0%  |
| \$451,329,040                              | 90%  | 66.7%   |
| \$501,476,712                              | 100%   | 100%  |
| \$601,772,054                              | 120%   | 200%  |

In fiscal 2008, the Company attained a level of achievement relative to the target which resulted in the payout of 166.7% of the target award issued in shares on March 31, 2009 and subject to the vesting schedule from the date of grant. The table below provides the threshold, target, and maximum performance amounts and the number of shares actually earned:

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| <b>NEO</b> | <b>Value of<br/>Target<br/>Performance<br/>Share<br/>Award at<br/>Grant<br/>(March 19,<br/>2008)</b> | <b>Threshold<br/>Number of<br/>Performance<br/>Shares</b> | <b>Target<br/>Number of<br/>Performance<br/>Shares</b> | <b>Maximum<br/>Number of<br/>Performance<br/>Shares</b> | <b>FY 2008<br/>Performance<br/>Shares<br/>Issued as<br/>Common<br/>Stock</b> | <b>FY 2008<br/>Value of<br/>Performance<br/>Shares<br/>Issued as<br/>Common<br/>Stock<br/>(March 31,<br/>2009)</b> |
|------------|--|---|--|---|--|--|
| Call       | \$100,000  | 2,394   | 3,589  | 7,178   | 5,983  | \$214,670  |
| Rentler    | \$400,000  | 9,574   | 14,353   | 28,706  | 23,924   | \$858,393  |
| Panattoni  | \$400,000  | 9,574   | 14,353   | 28,706  | 23,924   | \$858,393  |
| O'Sullivan | \$350,000  | 8,377   | 12,559   | 25,118  | 20,934   | \$751,112  |

### **Grant Date Policy**

We issue equity awards in the form of performance share awards, restricted stock and options on the executive officer's or associate's hire date, promotion date, contract renewal date or as part of the Company's annual performance review process conducted in March of each year. We review the performance and compensation for the majority of our executive officers and associates annually at that time. The Committee approves all executive officer grants for execution on or after the approval date. We do not time grant dates based on any favorable or unfavorable non-public information anticipated to be disclosed at a later date. Our Board and Compensation Committee also have delegated authority to the CEO to grant equity awards to newly hired employees and/or employees who receive promotions outside of the normal annual focal review process for associates who are below the executive officer level.

All or a portion of restricted stock awards for Executive Officers typically cliff vest over three to five years. The CEO has historically received grants of options and restricted stock as part of his contract renewal process. His employment agreement was last renewed in April 2007. All stock option awards are granted with an exercise price equal to the closing price per share of the Company's common stock on the Nasdaq on the date of grant. These awards provide value to the executive officers only when and to the extent that the value of the Company's common stock appreciates over the value on the date of grant.

### **Defined Contribution and Deferred Compensation Plans**

Executive officers are eligible to participate in the Company's 401(k) plan. The Company provides a matching contribution of up to 4% of base salary (up to IRS limits) to contributing associates with more than six months of service. Participants have the ability to choose from a variety of investment options under the 401(k) Plan.

In addition, under the terms of the Company's Non-Qualified Deferred Compensation Plan (the "NQDC Plan"), all executive officers and vice presidents are eligible to defer up to 100% of their base salary and up to 100% of their annual incentive bonus earned during the year. The executive can choose from a variety of investment options under the NQDC Plan. Individual contributions and associated earnings may be deferred, without any distributions, for a maximum period of up to twelve months after the executive officer's termination from the Company, at which time the aggregate balance in the executive's NQDC Plan account pays out either in a lump sum or in annual installments of up to a maximum of ten years.

Executive officers are eligible for a Company match for their NQDC Plan contributions to the extent that the executive officers did not receive the full Company match to which employees are eligible under the Company's 401(k) Plan. In fiscal 2008, none of the NEOs received such a match. (See Table disclosing NEO participation in the NQDC Plan for 2008 on page 35 of this Proxy Statement.)

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### **Employment Agreements**

All NEOs have entered into employment agreements with the Company. The CEO's contract was last renewed effective April 2007; the Company recently approved an extension of the term of the CEO's agreement through January 28, 2012. The employment agreements with our other NEOs — Mr. Call, Ms. Rentler, Ms. Panattoni, and Mr. O'Sullivan — are subject to two-year renewals if not terminated by either party. (See detailed discussion of NEO contract terms and severance benefits on pages 36 through 42 of this Proxy Statement.)

We believe these employment agreements benefit both the NEOs and the Company as they allow our executives to focus on their responsibilities and objectives without concern for their employment security in the event of a termination or change in control. All employment agreements for both the CEO and all other executive officers provide for severance benefits in certain events.

We also believe that these employment agreements are an effective retention tool for executives while providing protection for the Company. The agreements reaffirm protection of our confidential information and trade secrets, as well as post-termination restrictions on recruiting our current associates. These agreements also include limitations on the executive accepting post-termination employment with certain competitors. (See further

discussion under [Potential Payments upon Termination or Change in Control]).

### **Tax and Accounting-Related Matters**

We maintain a mix of executive compensation programs, some which are performance-based and others of which are time-based to create a strong retention tool for key executives. The Compensation Committee has reviewed the deductibility of the Company's executive compensation structure in light of the current tax law. We believe that compensation resulting from previously granted stock options will be fully deductible when an option is exercised. We also believe that payments under the Incentive Compensation Plan will be fully deductible. Future performance-based equity awards are also expected to be fully deductible. Salary, sign-on bonuses, guaranteed bonuses and certain other cash compensation costs related to the Company's NEOs may not be fully deductible under Section 162(m) of the Internal Revenue Code ([Section 162(m)]) to the extent that, when added to other non-exempt compensation for that particular executive, the total exceeds \$1 million and qualify for deductibility. Time-based restricted stock awards also do not qualify as performance-based compensation and, therefore, may not be fully deductible to the extent the share value upon vesting, when added to other non-exempt compensation for a particular executive, exceeds the \$1 million limit in any tax year. During fiscal 2008, the Company estimates the impact from compensation paid to NEOs that was not deductible under Section 162(m) reduced net earnings by \$2.7 million and cash flows by \$2.8 million.

### **Additional Executive Compensation Policies**

We believe that holdings in Company stock in the form of equity stock awards comprise a significant portion of our executive officers' total net worth. As a result, we have not adopted any Stock Ownership Guidelines for senior management.

We allow for the use of SEC Rule 10b5-1 trading plans by our executives, which provide for pre-established plans for selling shares of Company common stock. At the present time, our CEO has SEC Rule 10b5-1 trading plans in place.

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### **COMPENSATION COMMITTEE REPORT**

We, the Compensation Committee of the Board of Directors of Ross Stores, Inc. have reviewed and discussed the above Compensation Discussion and Analysis contained in this proxy statement with management. Based on such review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2009.

### **SUBMITTED BY THE COMPENSATION COMMITTEE OF THE COMPANY'S BOARD OF DIRECTORS**

**George P. Orban, Chairman  
K. Gunnar Bjorklund**

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### **SUMMARY COMPENSATION TABLE**

The following table provides certain summary information concerning compensation paid, accrued, or recognized as an expense by the Company for the 2008, 2007 and 2006 fiscal years to or on behalf of our Chief Executive Officer, our Chief Financial Officer and the three other most highly compensated executive officers, collectively referred to as the Named Executive Officers ([NEOs]).

## Summary Compensation Table

| Name & Principal Position                              | Year | Salary (1)   | Bonus (2) | Stock        | Option       | Non-Equity Incentive Plan Compensation (5) | All Other Compensation (6) | Total        |
|--|------|--------------|-----------|--------------|--------------|--|----------------------------|--------------|
|  |      |              |           | Awards (3)   | Awards (4)   |  |                            |              |
| Michael Balmuth  | 2008 | \$ 1,031,239 | \$ -      | \$ 3,091,598 | \$ 2,100,538 | \$ 1,721,369                               | \$ 263,988                 | \$ 8,200,732 |
| Vice Chairman, President & Chief Executive Officer     | 2007 | \$ 1,017,614 | \$ -      | \$ 4,007,711 | \$ 2,318,888 | \$ 906,416                                 | \$ 237,790                 | \$ 8,480,009 |
|  | 2006 | \$ 993,791   | \$ -      | \$ 3,505,128 | \$ 2,358,163 | \$ 1,099,848                               | \$ 212,763                 | \$ 8,169,593 |
| John G. Call   | 2008 | \$ 481,810   | \$ -      | \$ 214,077   | \$ 52,201    | \$ 443,413                                 | \$ 44,917                  | \$ 1,232,408 |
| Senior Vice President & Chief Financial Officer        | 2007 | \$ 466,810   | \$ -      | \$ 174,509   | \$ 72,601    | \$ 228,906                                 | \$ 33,420                  | \$ 943,746   |
|  | 2006 | \$ 452,310   | \$ -      | \$ 188,904   | \$ 118,209   | \$ 367,054                                 | \$ 36,154                  | \$ 1,154,577 |
| Barbara Rentler  | 2008 | \$ 776,089   | \$ -      | \$ 1,153,322 | \$ 69,884    | \$ 844,216                                 | \$ 112,577                 | \$ 2,955,088 |
| Executive Vice President, Merchandising                | 2007 | \$ 752,847   | \$ -      | \$ 863,957   | \$ 126,120   | \$ 434,543                                 | \$ 69,024                  | \$ 2,226,591 |
|  | 2006 | \$ 612,613   | \$ -      | \$ 530,596   | \$ 231,120   | \$ 588,181                                 | \$ 47,682                  | \$ 2,010,112 |
| Lisa Panattoni   | 2008 | \$ 711,885   | \$ -      | \$ 1,051,211 | \$ 58,234    | \$ 774,656                                 | \$ 81,414                  | \$ 2,677,386 |
| Executive Vice President, Merchandising                | 2007 | \$ 690,010   | \$ -      | \$ 924,837   | \$ 207,730   | \$ 398,274                                 | \$ 78,600                  | \$ 2,299,451 |
|  | 2006 | \$ 590,246   | \$ -      | \$ 861,988   | \$ 321,910   | \$ 570,964                                 | \$ 52,003                  | \$ 2,346,109 |
| Michael O'Sullivan                                     | 2008 | \$ 662,463   | \$ -      | \$ 731,685   | \$ 69,884    | \$ 727,883                                 | \$ 79,119                  | \$ 2,271,935 |
| Executive Vice President, Chief Administrative Officer | 2007 | \$ 595,671   | \$ -      | \$ 469,330   | \$ 128,260   | \$ 345,264                                 | \$ 43,920                  | \$ 1,582,185 |
|  | 2006 | \$ 576,296   | \$ -      | \$ 503,624   | \$ 286,757   | \$ 552,818                                 | \$ 42,118                  | \$ 1,961,613 |

- (1) Salary consists of (i) base salary in effect during the fiscal year plus (ii) an additional amount paid as salary to reimburse the NEO for an annual premium payment by the NEO to purchase a life insurance policy held in an irrevocable life insurance trust established by the executive, including amounts necessary to gross up the executive for any federal, state and local income tax liability attributable to the premium reimbursement amount. For fiscal 2008:
- Michael Balmuth: base salary - \$998,500; premium reimbursement - \$32,739
  - John G. Call: base salary - \$479,125; premium reimbursement - \$2,685
  - Barbara Rentler: base salary - \$771,875; premium reimbursement - \$4,214
  - Lisa Panattoni: base salary - \$706,875; premium reimbursement - \$5,010
  - Michael O'Sullivan: base salary - \$660,625; premium reimbursement - \$1,838
- (2) There were no bonus award payments outside the Incentive Compensation Plan in fiscal 2008.

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- (3) Stock award values reflect the amortization expense recognized by the Company in accordance with FAS 123(R), for each covered fiscal year relating to outstanding restricted stock grants and performance share awards. The total value to be expensed over the amortization or vesting period for each award was determined by multiplying the number of shares of restricted stock or target performance award shares granted by the closing price per share of the Company's common stock on the Nasdaq on the date of grant. For fiscal 2008:
- Michael Balmuth: \$1,004,634 related to 279,623 shares of restricted stock granted on March 17, 2005 with a total award value of \$8,000,014 at grant date; and \$2,086,964 related to 232,762 shares of restricted stock granted on March 22, 2007 with a total award value of \$8,000,030 at grant date.
  - John G. Call: \$75,000 related to 10,486 shares of restricted stock granted on March 17, 2005 with a total award value of \$300,004 at grant date; \$37,506 related to 4,365 shares of restricted stock granted on March 22, 2007 with a total award value of \$150,025 at grant date; \$29,171 related to 6,280 shares of restricted stock granted on March 19, 2008 with a total award value of \$175,024 at grant date; \$25,815 related to 2,585 shares of restricted stock settled on March 31, 2008 pursuant to a performance share award granted on March 22, 2007 with a total award value of \$77,447 on March 31, 2008, the settlement date; and \$46,585 related to a performance share award with a target of 3,589 shares granted on

- c. March 19, 2008 with a total award value of \$100,025 at grant date. Barbara Rentler: \$17 related to 14,782 shares of restricted stock granted on January 5, 2004 with a total award value of \$400,001 at grant date, which completed vesting in full on February 11, 2008; \$200,004 related to 27,885 shares of restricted stock granted on February 7, 2005 with a total award value of \$800,021 at grant date; \$100,008 related to 14,384 shares of restricted stock granted on March 16, 2006 with a total award value of \$400,019 at grant date; \$360,000 related to 51,195 shares of restricted stock granted on January 2, 2007 with a total value of \$1,500,014; \$216,671 related to 46,646 shares of restricted stock granted on March 19, 2008 with a total award value of \$1,300,024 at grant date; \$90,319 related to 9,044 shares of restricted stock settled on March 31, 2008 pursuant to a performance share award granted on March 22, 2007 with a total award value of \$270,958 on March 31, 2008, the settlement date; and \$186,303 related to a performance share award with a target of 14,353 shares granted on March 19, 2008 with a total award value of \$400,018 at grant date.
- d. Lisa Panattoni: \$280,022 related to 101,011 shares of restricted stock granted on January 3, 2005 with a total award value of \$2,800,025 at grant date; \$277,896 related to 34,130 shares of restricted stock granted on January 2, 2007 with a total award value of \$1,000,009 at grant date; \$216,671 related to 46,646 shares of restricted stock granted on March 19, 2008 with a total award value of \$1,300,024 at grant date; \$90,319 related to 9,044 shares of restricted stock settled on March 31, 2008 pursuant to a performance share award granted on March 22, 2007 with a total award value of \$270,958 on March 31, 2008, the settlement date; and \$186,303 related to a performance share award with a target of 14,353 shares granted on March 19, 2008 with a total award value of \$400,018 at grant date.
- e. Michael O'Sullivan: \$183,317 related to 34,856 shares of restricted stock granted on February 7, 2005 with a total award value of \$1,000,019 at grant date; \$37,500 related to 5,394 shares of restricted stock granted on March 16, 2006 with a total award value of \$150,007 at grant date; \$100,003 related to 14,548 shares of restricted stock granted on March 22, 2007 with a total award value of \$500,015 at grant date; \$183,334 related to 39,469 shares of restricted stock granted on March 19, 2008 with a total award value of \$1,100,001 at grant date; \$64,514 related to 6,460 shares of restricted stock settled on March 31, 2008 pursuant to a performance share award granted on March 22, 2007 with a total award value of \$193,542 on March 31, 2008, the settlement date; and \$163,017 related to a performance share award with a target of 12,559 shares granted on March 19, 2008 with a total award value of \$350,019 at grant date.

(4) Option award values reflect the amortization expense recognized by the Company in accordance with FAS 123(R) for each covered fiscal year for unvested and outstanding stock option grants in addition to amortization expense recognized for options that vested during the year. Except for Mr. Balmuth, all stock options granted to the NEOs vest monthly over three years from the grant date, with 16.7% of the shares vesting in year one; 33.3% of the shares vesting in year two and 50.0% vesting in year three. For fiscal 2008:

- a. Michael Balmuth: \$848,188 related to a stock option for 559,246 shares granted on March 17, 2005 with a total award value of \$4,848,751 at grant date; and \$1,252,350 related to a stock option of 523,713 shares granted on March 22, 2007 with a total award value of \$4,847,697 at grant date. For the March 2005 stock option, 40% of the shares will vest in equal monthly increments during the year ending March 17, 2008 and 60% of the shares will vest in equal monthly increments during the year ending March 17, 2009. For the March 2007 stock option, 40% of the shares will vest in equal monthly increments during the year ending January 29, 2010 and 60% of the shares will vest in equal monthly increments during the year ending January 29, 2011.
- b. John G. Call: \$6,921 related to a stock option for 20,000 shares granted on March 17, 2005, with a total award value of \$132,211 at grant date; and \$45,280 related to a stock option for 14,000 shares granted on April 13, 2006, with a total award value of \$129,403 at grant date.
- c. Barbara Rentler: \$11,650 related to a stock option for 58,557 shares granted on February 7, 2005, with a total award value of \$388,173 at

grant date; and \$58,234 related to a stock option for 19,000 shares granted on March 16, 2006, with a total award value of \$164,665 at grant date.

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- d. Lisa Panattoni: \$58,234 related to a stock option for 19,000 shares granted on March 16, 2006, with a total award value of \$164,665 at grant date.
- e. Michael O'Sullivan: \$11,650 related to a stock option for 58,557 shares granted on February 7, 2005, with a total award value of \$388,173 at grant date; and \$58,234 related to a stock option for 19,000 shares granted on March 16, 2006, with a total award value of \$164,665 at grant date.
- f. The total value to be expensed over the amortization or vesting period for each option was determined by the Black-Scholes option pricing model using the weighted average assumptions for expected life of the option from grant date, expected volatility, risk free interest rate and dividend yield described in the following reports:
- i. Options granted on January 3, 2005 as described in Note A of our Form 10-K for fiscal 2004 filed on April 14, 2005.
  - ii. Options granted on February 7, 2005 and March 17, 2005 as described in Note A of our Form 10-Q for the first quarter of fiscal 2005 filed on June 9, 2005.
  - iii. Options granted on March 16, 2006 and April 13, 2006 as described in Note B of our Form 10-Q for the first quarter of fiscal 2006 filed on June 7, 2006.
  - iv. Options granted on March 22, 2007 as described in Note B of our Form 10-Q for the first quarter of fiscal 2007 filed on June 13, 2007.

(5) Non-Equity Incentive Plan Compensation reflects cash incentive awards earned and accrued under the Incentive Compensation Plan.

(6) All Other Compensation is described in the table that follows.

| <b>All Other Compensation (Fiscal 2008)</b>                                     |  |                               |  |                                     |
|---|--|-------------------------------|--|-------------------------------------|
| <b>Name &amp; Principal Position</b>  | <b>Perquisites &amp; Other Personal Benefits (1)</b> | <b>Tax Reimbursements (2)</b> | <b>Dividends/Earnings on Stock/Option Awards (3)</b> | <b>Total All Other Compensation</b> |
| Michael Balmuth<br>Vice Chairman, President &<br>Chief Executive Officer        | \$79,297   | \$ 48,426                     | \$ 136,265   | \$ 263,988                          |
| John G. Call<br>Senior Vice President & Chief<br>Financial Officer              | \$34,964   | \$ 2,004                      | \$ 7,949   | \$ 44,917                           |
| Barbara Rentler<br>Executive Vice President,<br>Merchandising                   | \$50,822   | \$ 11,140                     | \$ 50,615  | \$ 112,577                          |
| Lisa Panattoni<br>Executive Vice President,<br>Merchandising                    | \$27,270   | \$ 10,723                     | \$ 43,421  | \$ 81,414                           |
| Michael O'Sullivan<br>Executive Vice President,<br>Chief Administrative Officer | \$43,998   | \$ 5,734                      | \$ 29,387  | \$ 79,119                           |

- (1) A detailed listing of perquisites provided to each NEO during fiscal 2008 is contained in the table that follows.
- (2) Tax reimbursements represent amounts paid to the NEOs to compensate them for the income tax cost associated with certain perquisites provided to them during fiscal 2008.
- (3) Amounts paid represent dividend payments on unvested shares of restricted stock held by each NEO that are reportable as W-2 income to the individuals.

The following table details perquisites provided to each NEO in fiscal 2008. All perquisites are valued based on the actual incremental cost to the Company.

| <b>Perquisites (Fiscal 2008)</b>   |   |  |  |  |   |                            |                              |
|--|---|--|--|--|---|----------------------------|------------------------------|
| <b>Name &amp; Principal<br/>Position</b>   | <b>Estate Tax/<br/>Financial<br/>Planning<br/>Services</b>                  | <b>Car Service<br/>or<br/>Commute<br/>Benefits</b> | <b>Executive<br/>Health<br/>Benefits</b> | <b>Association<br/>and Dues<br/>Expenses</b> | <b>Umbrella<br/>Liability<br/>Insurance</b> | <b>Moving<br/>Expenses</b> | <b>Total<br/>Perquisites</b> |
|  | Michael Balmuth<br>Vice Chairman,<br>President & Chief<br>Executive Officer | \$ 20,000  | \$ 33,399                                | \$ 23,358                                    | \$ 0  | \$ 2,540                   | \$ 0                         |
| John G. Call<br>Senior Vice President &<br>Chief Financial Officer                 | \$ 2,929  | \$ 0   | \$ 31,508                                | \$ 0   | \$ 527                                      | \$ 0                       | \$34,964                     |
| Barbara Rentler<br>Executive Vice<br>President,<br>Merchandising                   | \$ 3,689  | \$ 14,617  | \$ 31,508                                | \$ 0   | \$ 1,008                                    | \$ 0                       | \$50,822                     |
| Lisa Panattoni<br>Executive Vice<br>President,<br>Merchandising                    | \$ 5,469  | \$ 8,425   | \$ 11,700                                | \$ 0   | \$ 1,008                                    | \$ 668                     | \$27,270                     |
| Michael O'Sullivan<br>Executive Vice<br>President, Chief<br>Administrative Officer | \$ 11,482   | \$ 0   | \$ 31,508                                | \$ 0   | \$ 1,008                                    | \$ 0                       | \$43,998                     |

Perquisites provided to these executive officers are valued at the actual incremental cost of each item to the Company and are reviewed annually. In general, executive officers including the CEO are provided with reimbursement for financial planning in an annual amount of up to \$20,000 for the CEO, up to \$15,000 for executive vice presidents and up to \$10,000 for senior vice presidents (plus individual income tax gross ups on these financial planning expenses), executive medical plan benefits, and an umbrella personal liability insurance policy. In addition, certain executive officers in the Company's New York Buying Office receive transportation services to and from the Company's New York City offices. Relocation benefits and income tax gross-ups are individually negotiated when relocation occurs.

We believe that good financial planning by experts reduces the amount of time and attention that senior management must spend on that topic and maximizes the net financial reward to the executive of the compensation received from us. The use by certain executives of transportation services to and from our New York Buying Office enhances their contributions to the business by saving them time that is not spent in traffic or parking, while also allowing them to work while in transit. The executive medical plan is part of our overall executive health benefit package for all associates at the level of vice president and above.

We also lease a number of hours each year through a time-share arrangement for private aviation transportation for executive officers that is used for business purposes to facilitate timely travel to store locations, distribution centers, buying offices and other corporate facilities. Occasionally family members of executives or directors may join executives on these Company-provided private aviation flights made for business purposes if there is a seat that would otherwise go unfilled. Because this benefit has no incremental cost to the Company, it is not reflected in the table. In addition, our executive officers are provided with first class business travel on commercial airlines to make their in-transit travel time more conducive for work-related

activities. Our CEO resides in New York and works primarily in our New York Buying Office. Corporate housing and a Company-owned automobile are made available for use by our CEO near our Pleasanton, California corporate

headquarters in light of his frequent travel between the New York Buying Office and the corporate headquarters. This housing and automobile are used by him exclusively for business purposes and help facilitate his effectiveness of conducting his work while in California.

In addition, after ten years of service, and every five years thereafter, officers at the vice president level and above are entitled to two additional weeks of paid extended time off in addition to their regularly accrued vacation benefits. These two weeks can be combined with two weeks of regular paid vacation to facilitate a four-week period of extended time off.

## **DISCUSSION OF SUMMARY COMPENSATION TABLE**

Base salary paid to each NEO is initially determined by negotiation at the time of hiring and reflected in the terms of each executive's employment agreement with the Company, and reviewed for merit adjustments as part of the annual focal review process for all executives. Following is a summary of the terms of the employment agreement for each of our current NEOs regarding compensation. For a discussion of the terms of their employment agreements regarding termination of employment and change in control, please see "Potential Payments Upon Termination or Change in Control" below.

### **Employment Agreements.**

Michael Balmuth. The Company's current employment agreement with Michael Balmuth, Vice Chairman of the Board, President and Chief Executive Officer, extends through January 29, 2011. The Company recently approved an extension through January 28, 2012. The current employment agreement provides that Mr. Balmuth will receive an annual salary of not less than \$988,000, subject to annual increases as part of the Company's annual review process.

John G. Call. The Company's current employment agreement with John G. Call, Senior Vice President and Chief Financial Officer, extends through March 31, 2010. The Company recently approved an extension through March 31, 2012. The current agreement provides that Mr. Call will receive an annual salary of not less than \$466,000, subject to annual increases as part of the Company's annual review process.

Barbara Rentler. The Company's current employment agreement with Barbara Rentler, Executive Vice President, Merchandising, extends through March 31, 2011. The Company recently approved an extension through March 31, 2013. The current agreement provides that Ms. Rentler will receive an annual salary of not less than \$750,000, subject to annual increases as part of the Company's annual review process.

Lisa Panattoni. The Company's current employment agreement with Lisa Panattoni, Executive Vice President, Merchandising, extends through March 31, 2011. The Company recently approved an extension through March 31, 2013. The current agreement provides that Ms. Panattoni will receive an annual salary of not less than \$685,000, subject to annual increases as part of the Company's annual review process.

Michael O'Sullivan. The Company's current employment agreement with Michael O'Sullivan, Executive Vice President, Chief Administrative Officer, extends through March 31, 2011. The Company recently approved an extension through March 31, 2013. The current agreement provides that Mr. O'Sullivan will receive an annual salary of not less than \$595,000, subject to annual increases as part of the Company's annual review process.

## **GRANTS OF PLAN-BASED AWARDS DURING FISCAL YEAR**

The following table provides information with respect to the potential payout to our NEOs under non-equity incentive plan awards, equity incentive plan awards and other equity compensation awards. For fiscal 2008, the Compensation Committee established goals under the Incentive Compensation Plan that provided the opportunity for the NEOs to receive cash incentive bonuses ranging from 55% to 100% of base salary at target, depending on their position, based on the degree of achievement of the target for adjusted pre-tax earnings. Under the Plan, if actual pre-tax earnings exceed the target, a maximum of up to two times each officer's target

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award may be paid based on the actual results achieved relative to the target. If actual pre-tax earnings are below the pre-established target but above the minimum threshold required, then the cash incentive bonuses are less



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than the targeted range of 55% to 100% of base salary. No payment occurs under the Plan if pre-tax earnings fall below the threshold.

This table also provides information concerning grants of performance share awards, and restricted stock awards made under the Company's 2004 Equity Incentive Plan during fiscal 2008. The restricted stock awards and performance share awards made to Mr. Call and Mr. O'Sullivan on March 19, 2008, were made as part of the annual focal review process. In addition, Ms. Rentler and Ms. Panattoni received a performance share award as part of the focal review process.

**Grants of Plan-Based Awards (Fiscal 2008)**

| Name & Principal Position  | Grant Date | Estimated Potential Payouts Under Non-Equity Incentive Plan Awards (1) |              |              | Estimated Future Payouts Under Equity Incentive Plan Awards (2) |            |             | All Other Awards: Stock Awards: Number of Shares or Units (3) | All Other Awards: Option Awards: Number of Underlying Options (4) | Exercise or Base Price of Option Awards (5) |
|--|------------|--|--------------|--------------|---|------------|-------------|---|---|---|
|  |            | Threshold (\$)   | Target (\$)  | Maximum (\$) | Threshold (#)   | Target (#) | Maximum (#) |   |   | (\$/Sh) (5)                                 |
| Michael Balmuth<br>Vice Chairman, President & Chief Executive Officer        | 3/19/2008  | \$ 516,370   | \$ 1,032,739 | \$ 2,065,478 |   |            |             |   |   |   |
| John G. Call<br>Senior Vice President & Chief Financial Officer              | 3/19/2008  | \$ 133,013   | \$ 266,027   | \$ 532,054   | 2,394   | 3,589      | 7,178       | 6,280   | 0   |   |
| Barbara Rentler<br>Executive Vice President, Merchandising                   | 3/19/2008  | \$ 253,245   | \$ 506,489   | \$ 1,012,978 | 9,574   | 14,353     | 28,706      | 46,646  | 0   |   |
| Lisa Panattoni<br>Executive Vice President, Merchandising                    | 3/19/2008  | \$ 232,378   | \$ 464,757   | \$ 929,513   | 9,574   | 14,353     | 28,706      | 46,646  | 0   |   |
| Michael O'Sullivan<br>Executive Vice President, Chief Administrative Officer | 3/19/2008  | \$ 218,347   | \$ 436,695   | \$ 873,389   | 8,377   | 12,559     | 25,118      | 39,469  | 0   |   |

- (1) Represents the potential payout under the Company's Incentive Compensation Plan for each NEO at threshold, target and maximum attainment relative to the target for pre-tax earnings based on the formula established by the Compensation Committee on March 19, 2008.
- (2) Represents performance share awards granted on March 19, 2008. Performance share awards are rights to receive shares of stock on a specified settlement date based on the degree to which the Company attains a predetermined performance goal. The shares issued upon attaining the performance goal are subject to a separate vesting schedule based on continued service of the NEO as follows: 30% on March 31, 2009; 30% on March 31, 2010 and 40% on March 31, 2011. In fiscal 2008, the Company achieved a level of pre-tax profit relative to the target which resulted in the payout of 166.7% of the target award, which was issued in shares on March 31, 2009 and subject to the vesting schedule.
- (3) Represents shares of restricted stock granted to each NEO during fiscal 2008 with the following vesting terms:
  - a. Mr. Call: 6,280 shares granted on March 19, 2008 that cliff vest in full on March 19, 2013 and 2,585 shares issued on March 31, 2008, pursuant to the grant of a performance share award on March 22, 2007 that vest 30% upon settlement, 30% on March 31, 2009, and 40% on March 31, 2010.
  - b.

- c. Ms. Rentler: 46,646 shares granted on March 19, 2008 that vest 21,529 shares on March 19, 2012 and 25,117 shares on March 19, 2013; and 9,044 shares issued on March 31, 2008, pursuant to the grant of a performance share award on March 22, 2007 that vest 30% upon settlement, 30% on March 31, 2009, and 40% on March 31, 2010.
- Ms. Panattoni: 46,646 shares granted on March 19, 2008 that vest 21,529 shares on March 19, 2012 and 25,117 shares on March 19, 2013; and 9,044 shares issued on March 31, 2008, pursuant to the grant of a performance share award on March 22, 2007 that vest 30% upon settlement, 30% on March 31, 2009, and 40% on March 31, 2010.

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- d. Mr. O'Sullivan: 39,469 shares granted on March 19, 2008 that vest 17,941 shares on March 19, 2012 and 21,528 shares on March 19, 2013; and 6,460 shares issued on March 31, 2008, pursuant to the grant of a performance share award on March 22, 2007 that vest 30% upon settlement, 30% on March 31, 2009, and 40% on March 31, 2010.
- (4) The value for restricted stock awards, to be expensed over the amortization or vesting period for each award, was determined by multiplying the number of shares granted by the closing price per share of the Company's common stock on the Nasdaq on the grant date. The value for performance share awards, to be expensed over the amortization or vesting period for each award, was determined by multiplying the target number of shares granted by the closing price per share of the Company's common stock on the Nasdaq on the grant date.
- (5) The Board of Directors has the ability to change the terms of outstanding equity awards. See discussion concerning Employment Agreements in Compensation Discussion and Analysis.

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### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table provides information with respect to the outstanding vested and unvested stock options, the unvested restricted stock and performance share awards held by our NEOs as of January 31, 2009, the last day of the Company's 2008 fiscal year. Stock options become exercisable only as they vest.

| Name & Principal Position  | Outstanding Equity Awards at Fiscal Year-End (Fiscal 2008) |   |                            |                   |                        | Stock Awards  |   |   |
|--|--|---|----------------------------|-------------------|------------------------|---|---|---|
|  | Option Awards  |   |                            |                   |                        | Equity Incentive Plan Awards:                               |   |   |
|  | Number of Securities Underlying Unexercised Options (#)    | Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Grant Date | Option Expiration Date | Number of Shares or Units of Stock that Have Vested (#) (3) | Market Value of Shares or Units of Stock that Have Not Vested (\$)(4) | Unearned Shares, Units, or Other Rights that Have Not Vested (#)(5) |
| Michael Balmuth<br>Vice Chairman, President &<br>Chief Executive Officer | 343,321  | 55,925  | \$28.61                    | 03/17/2005        | 03/17/2015             | 232,762   | \$ 6,847,858  |   |
|  |  | 523,713   | \$34.37                    | 03/22/2007        | 03/22/2017             |   |   |   |

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|  |                |                |         |            |            |         |              |       |  |
|--|----------------|----------------|---------|------------|------------|---------|--------------|-------|--|
| <b>Total:</b>  | <b>343,321</b> | <b>579,638</b> |         |            |            |         |              |       |  |
| John G. Call   | 30,000         | 0              | \$ 9.88 | 03/22/2001 | 03/22/2011 | 22,941  | \$ 674,924   | 5,98  |  |
| Senior Vice President & Chief Financial Officer        | 20,000         | 0              | \$18.89 | 03/21/2002 | 03/21/2012 |         |              |       |  |
|  | 24,000         | 0              | \$19.02 | 03/20/2003 | 03/20/2013 |         |              |       |  |
|  | 20,000         | 0              | \$29.42 | 03/17/2004 | 03/17/2014 |         |              |       |  |
|  | 20,000         | 0              | \$28.61 | 03/17/2005 | 03/17/2015 |         |              |       |  |
|  | 12,250         | 1,750          | \$29.66 | 04/13/2006 | 04/13/2016 |         |              |       |  |
| <b>Total:</b>  | <b>126,250</b> | <b>1,750</b>   |         |            |            |         |              |       |  |
| Barbara Rentler  |                |                |         |            |            |         |              |       |  |
| Executive Vice President, Merchandising                | 20,000         | 0              | \$27.06 | 01/05/2004 | 01/05/2014 | 146,441 | \$ 4,308,294 | 23,92 |  |
|  | 58,557         | 0              | \$28.69 | 02/07/2005 | 02/07/2015 |         |              |       |  |
|  | 17,416         | 1,584          | \$27.81 | 03/16/2006 | 03/16/2016 |         |              |       |  |
| <b>Total:</b>  | <b>95,973</b>  | <b>1,584</b>   |         |            |            |         |              |       |  |
| Lisa Panattoni   |                |                |         |            |            |         |              |       |  |
| Executive Vice President, Merchandising                | 61,263         | 0              | \$27.72 | 01/03/2005 | 01/03/2015 | 87,107  | \$ 2,562,687 | 23,92 |  |
|  | 17,416         | 1,584          | \$27.81 | 03/16/2006 | 03/16/2016 |         |              |       |  |
| <b>Total:</b>  | <b>78,679</b>  | <b>1,584</b>   |         |            |            |         |              |       |  |
|  | 110,362        | 0              | \$24.47 | 09/08/2003 | 09/08/2013 | 88,332  | \$ 2,598,727 | 20,93 |  |
| Michael O'Sullivan                                     | 10,000         | 0              | \$29.42 | 03/17/2004 | 03/17/2014 |         |              |       |  |
| Executive Vice President, Chief Administrative Officer | 58,557         | 0              | \$28.69 | 02/07/2005 | 02/05/2015 |         |              |       |  |
|  | 17,416         | 1,584          | \$27.81 | 03/16/2006 | 03/16/2016 |         |              |       |  |
| <b>Total:</b>  | <b>196,335</b> | <b>1,584</b>   |         |            |            |         |              |       |  |

- (1) Represents outstanding stock options that are fully vested and unexercised as of the end of fiscal 2008.
- (2) Represents stock options that remain unvested and unexercisable as of the end of fiscal 2008.
- a. Mr. Balmuth: The option for 559,246 shares granted on March 17, 2005 at an exercise price of \$28.61 vests as follows: 40% of the shares vested monthly during the year ended March 17, 2008 and 60% of the shares have vested monthly during the year ending March 17, 2009. The option for 523,713 shares granted on March 22,

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- 2007 at an exercise price of \$34.37 vest as follows: 40% of the shares to vest monthly during the year ending January 29, 2010 and 60% of the shares to vest monthly during the year ending January 29, 2011.
- b. Mr. Call, Ms. Rentler, Ms. Panattoni and Mr. O'Sullivan: All stock options shown in the above table vest as follows: 16.7% to vest in equal monthly increments during the first year after grant; 33.3% to vest in equal monthly increments during the second year after grant; and 50.0% to vest in equal monthly increments during the third year after grant.
- (3) Represents shares of unvested restricted stock held by each NEO as of the end of the fiscal year:
- a. Mr. Balmuth: Consists of 93,105 shares that will vest on January 29, 2010; and 139,657 shares that will vest on January 29, 2011.
- b. Mr. Call: Consists of 10,486 shares that vested on March 17, 2009, 4,365 shares that will vest on March 22, 2011, 6,280 shares that will vest on March 19, 2013, 775 shares that vested on March 31, 2009 and 1,035 shares that will vest on March 31, 2010.
- c. Ms. Rentler: Consists of 27,885 shares that vested on February 9, 2009; 14,384 shares that will vest on March 16, 2010, 51,195 shares that will vest on March 31, 2011, 21,529 shares that will vest on March 19, 2012, 25,117 shares that will vest on March 19, 2013, 2,713 shares that vested on March 31, 2009 and 3,618 shares that will vest on March 31, 2010.
- d. Ms. Panattoni: Consists of 17,065 shares that will vest on March 31, 2010, 17,065 shares that will vest on March 31, 2011, 21,529 shares that will vest on March 19, 2012, 25,117 shares that will vest on March 19, 2013, 2,713 shares that vested on March 31, 2009 and 3,618 shares that will vest on March 31, 2010.
- e. Mr. O'Sullivan: Consists of 24,399 shares that vested on February 9, 2009; 5,394 shares that will vest on March 16, 2010, 7,274 shares that will vest on March 22, 2011, 7,274 shares that will vest on March

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22, 2012, 17,941 shares that will vest on March 19, 2012, 21,528 shares that will vest on March 19, 2013, 1,938 shares that vested on March 31, 2009 and 2,584 shares that will vest on March 31, 2010.

- (4) The market value of the unvested shares is calculated by multiplying the number of shares by the closing price per share of the Company's common stock of \$29.42 on January 30, 2009 (the last trading day of the fiscal year) on the Nasdaq.
- (5) Represents performance share awards, for a target number of shares that are issueable, subject to attainment of performance conditions based on adjusted pre-tax profit. For purposes of this table, it is assumed that the target number of shares will be issued upon attaining the performance goal. For fiscal 2008, the Company achieved a level of pre-tax profit relative to the target which provided for the settlement equaling 166.7% of the target award, which was issued in shares on March 31, 2009, subject to the following vesting schedule:
- a. Mr. Call: Consists of 1,795 shares that vested on March 31, 2009; 1,795 shares that will vest on March 31, 2010 and 2,393 shares that will vest on March 31, 2011.
  - b. Ms. Rentler: Consists of 7,178 shares that vested on March 31, 2009; 7,177 shares that will vest on March 31, 2010; and 9,569 shares that will vest on March 31, 2011.
  - c. Ms. Panattoni: Consists of 7,178 shares that vested on March 31, 2009; 7,177 shares that will vest on March 31, 2010; and 9,569 shares that will vest on March 31, 2011.
  - d. Mr. O'Sullivan: Consists of 6,281 shares that vested on March 31, 2009; 6,280 shares that will vest on March 31, 2010; and 8,373 shares that will vest on March 31, 2011.

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**OPTION EXERCISES AND STOCK VESTED**

The following table provides information with respect to our NEOs concerning the number of shares and the value realized upon the exercise of stock options and upon the vesting of restricted stock during the fiscal year ended January 31, 2009:

| <b>Option Exercises and Stock Vested (Fiscal 2008)</b>                       |  |  |   |   |
|--|--|--|---|---|
| <b>Name &amp; Principal Position</b>   | <b>Option Awards</b>                             |  | <b>Stock Awards</b>                                 |   |
|  | <b>Number of Shares Acquired on Exercise (#)</b> | <b>Value Realized on Exercise (\$ (1))</b> | <b>Number of Shares Acquired on Vesting (#) (2)</b> | <b>Value Realized on Vesting (\$ (3))</b> |
|  |  |  |   |   |
| Michael Balmuth<br>Vice Chairman, President & Chief Executive Officer        | 320,000  | \$ 3,527,712                               | 167,773   | \$4,546,648                               |
| John G. Call<br>Senior Vice President & Chief Financial Officer              | 81,000   | \$ 1,798,422                               | 775   | \$ 24,761                                 |
| Barbara Rentler<br>Executive Vice President, Merchandising                   | 38,000   | \$ 703,377                                 | 17,495  | \$ 499,542                                |
| Lisa Panattoni<br>Executive Vice President, Merchandising                    | 65,000   | \$ 574,698                                 | 73,420  | \$ 2,125,365                              |
| Michael O'Sullivan<br>Executive Vice President, Chief Administrative Officer | 0  | \$ 0                                       | 12,395  | \$ 353,983                                |

- (1) The value realized from the exercise of stock options is calculated by multiplying the number of exercised shares by the difference between the exercise price and either the sale price (for a same-day-sale transaction), or the closing price per share of the Company's common stock on the Nasdaq on the date of exercise.
- (2) Represents the number of shares of restricted stock held by each NEO that vested during the fiscal year.
- (3) The value realized on vesting represents the number of shares of restricted stock that vested during fiscal 2008 multiplied by the closing price per share of the Company's common stock on the Nasdaq on the applicable vesting date.

**NON-QUALIFIED DEFERRED COMPENSATION**

The following table provides information with respect to the NEOs concerning their participation in the Company's Non-Qualified Deferred Compensation Plan and their activity in terms of contributions, aggregate earnings and any withdrawal activity during the year, and their account balances as of January 31, 2009. The Company made no contributions to the earnings reflected in the table during fiscal 2008.

| Name & Principal Position   | Non-Qualified Deferred Compensation (Fiscal 2008) |                                    |                                |                           |                               |                       |
|---|---|------------------------------------|--------------------------------|---------------------------|-------------------------------|-----------------------|
|   | Account   | Executive                          | Registrant                     | Aggregate                 | Aggregate                     | Aggregate             |
|   | Balance at<br>2/2/2008                            | Contributions<br>in<br>Last FY (1) | Contributions<br>in<br>Last FY | Earnings in<br>Last<br>FY | Withdrawals/<br>Distributions | Balance at<br>1/31/09 |
| Michael Balmuth<br>Vice Chairman, President &<br>Chief Executive Officer        | \$ 680,397  | \$ 0                               | \$ 0                           | \$ 16,557                 | \$ 0                          | \$ 696,954            |
| John G. Call<br>Senior Vice President &<br>Chief Financial Officer              | \$ 1,091,782                                      | \$ 114,453                         | \$ 0                           | (\$ 206,462)              | \$ 0                          | \$ 999,773            |
| Barbara Rentler<br>Executive Vice President,<br>Merchandising                   | \$ 0  | \$ 0                               | \$ 0                           | \$ 0                      | \$ 0                          | \$ 0                  |
| Lisa Panattoni<br>Executive Vice President,<br>Merchandising                    | \$ 0  | \$ 0                               | \$ 0                           | \$ 0                      | \$ 0                          | \$ 0                  |
| Michael O'Sullivan<br>Executive Vice President,<br>Chief Administrative Officer | \$ 0  | \$ 0                               | \$ 0                           | \$ 0                      | \$ 0                          | \$ 0                  |

- (1) Mr. Call's contribution represents a portion of the bonus earned under the Company's Second Amended and Restated Incentive Compensation Plan (the "Incentive Compensation Plan") for the 2007 fiscal year that was subsequently paid in March 2008 based on the level of pre-tax earnings achieved relative to the pre-established target established in March 2006. His contribution is reflected in the fiscal 2008 Non-Equity Incentive Compensation in the Summary Compensation Table.

Under the terms of the Company's Non-Qualified Deferred Compensation Plan (the "NQDC Plan"), all executive officers and vice presidents are eligible to defer up to 100% of their base salary and up to 100% of their annual incentive bonus earned during the year, at their election. The executive can choose from a variety of investment options under the NQDC Plan. Individual contributions and associated earnings may be deferred, without any distributions, for a maximum period of up to twelve months after the executive officer's termination from the Company, at which time the aggregate balance in the executive's NQDC Plan account pays out either in a lump sum or in annual installments of up to a maximum of ten years, as elected by the executive.

Executive officers are eligible for a Company match for their NQDC Plan contributions to the extent that the executive officer did not receive the full Company match for which employees are eligible under the Company's 401(k) Plan. In fiscal 2008, none of our NEOs received such a match.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

As described in the "Discussion of Summary Compensation Table," we have entered into employment agreements with each of our NEOs. These agreements provide for certain payments and other benefits if an NEO's employment terminates under circumstances specified in the agreement or if there is a "change in control" of the Company. The following table describes and quantifies estimated potential payments and benefits that would become payable

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under the NEOs' employment agreements if the NEOs' employment terminated on January 30, 2009, the last business day of our most recently completed fiscal year, or if a change in control occurred on that date. The amounts contained in the table are based on each NEO's period of service and compensation as of January 30, 2009 and, where applicable, the Company's closing stock price on that date. The table presents estimates of incremental amounts that would become payable had a triggering event occurred on January 30, 2009 and does not include amounts that were earned and payable as of that date regardless of the occurrence of a triggering event. The actual amounts to be paid in any instance can only be determined at the time of a triggering event.

**Potential Payments upon Termination or Change in Control**

| Name & Principal Position  | Type of Payment               | Termination             |  |   | Change in Control | Termination without Cause or for Good Reason Following a |
|--|-------------------------------|-------------------------|--|---|-------------------|--|
|  |                               | Without Cause, for Good | Termination upon Non-Renewal of Employment Agreement | Termination for Cause, Voluntary Resignation or Death |                   |  |
| Michael Balmuth<br>Vice Chairman, President<br>& Chief Executive Officer | Cash Severance (1)            | \$ 4,125,297            | \$ 0   | \$ 0  | \$ 0              | \$ 4,125,297   |
|  | Equity Acceleration (2)       | \$ 3,812,330            | \$ 3,767,031   | \$ 0  | \$ 6,847,858      | \$ 45,299  |
|  | Estate/Financial Planning (3) | \$ 480,000              | \$ 480,000   | \$ 480,000  | \$ 0              | \$ 480,000   |
|  | Health / Welfare Payments (4) | \$ 1,148,573            | \$ 1,148,573   | \$ 1,148,573  | \$ 0              | \$ 1,148,573   |
|  | Transaction Payment (5)       | \$ 0                    | \$ 0   | \$ 0  | \$ 3,000,000      | \$ 0   |
|  | Gross Up on Excise Tax (6)    | n/a                     | n/a  | n/a   | \$ 0              |  |
|  | Total:                        | \$ 9,566,200            | \$ 5,395,604   | \$ 1,628,573  | \$ 9,847,858      | \$ 5,799,169   |
| John G. Call<br>Senior Vice President &<br>Chief Financial Officer       | Cash Severance (1)            | \$ 872,952              | \$ 0   | \$ 0  | \$ 0              | \$ 1,499,424   |
|  | Equity Acceleration (2)       | \$ 619,875              | \$ 483,133   | \$ 0  | \$ 780,513        | \$ 0   |
|  | Estate/Financial Planning (3) | \$ 0                    | \$ 0   | \$ 0  | \$ 0              | \$ 20,000  |
|  | Health / Welfare Payments (4) | \$ 0                    | \$ 0   | \$ 0  | \$ 0              | \$ 97,678  |
|  | Transaction Payment (5)       | \$ 0                    | \$ 0   | \$ 0  | \$ 1,000,080      | \$ 0   |
|  | Gross Up on Excise Tax (6)    | n/a                     | n/a  | n/a   | \$ 0              |  |
|  | Total:                        | \$ 1,492,827            | \$ 483,133   | \$ 0  | \$ 1,780,593      | \$ 1,617,102   |
| Barbara Rentler<br>Executive Vice President,<br>Merchandising            | Cash Severance (1)            | \$ 2,782,755            | \$ 0   | \$ 0  | \$ 0              | \$ 2,782,755   |
|  | Equity Acceleration (2)       | \$ 3,016,663            | \$ 2,474,026   | \$ 0  | \$ 4,730,559      | \$ 2,549   |
|  | Estate/Financial Planning (3) | \$ 0                    | \$ 0   | \$ 0  | \$ 0              | \$ 32,466  |
|  | Health / Welfare Payments (4) | \$ 0                    | \$ 0   | \$ 0  | \$ 0              | \$ 105,706   |
|  | Transaction Payment (5)       | \$ 0                    | \$ 0   | \$ 0  | \$ 1,500,000      | \$ 0   |
|  | Gross Up on Excise Tax (6)    | n/a                     | n/a  | n/a   | \$ 0              |  |
|  | Total:                        | \$ 5,799,418            | \$ 2,474,026   | \$ 0  | \$ 6,230,559      | \$ 2,923,476   |
| Lisa Panattoni<br>Executive Vice President,<br>Merchandising             | Cash Severance (1)            | \$ 2,553,467            | \$ 0   | \$ 0  | \$ 0              | \$ 2,553,467   |
|  | Equity Acceleration (2)       | \$ 1,726,192            | \$ 1,183,554   | \$ 0  | \$ 2,984,953      | \$ 2,549   |
|  | Estate/Financial Planning (3) | \$ 0                    | \$ 0   | \$ 0  | \$ 0              | \$ 32,466  |
|  | Health / Welfare Payments (4) | \$ 0                    | \$ 0   | \$ 0  | \$ 0              | \$ 37,094  |
|  | Transaction Payment (5)       | \$ 0                    | \$ 0   | \$ 0  | \$ 1,500,000      | \$ 0   |
|  | Gross Up on Excise Tax (6)    | n/a                     | n/a  | n/a   | \$ 0              |  |
|  | Total:                        | \$ 4,279,659            | \$ 1,183,554   | \$ 0  | \$ 4,484,953      | \$ 2,625,576   |
| Michael O'Sullivan<br>Executive Vice President,                          | Cash Severance (1)            | \$ 2,399,290            | \$ 0   | \$ 0  | \$ 0              | \$ 2,399,290   |
|  | Equity Acceleration (2)       | \$ 1,995,968            | \$ 1,515,724   | \$ 0  | \$ 2,968,213      | \$ 15,295  |

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|                              |                               |              |              |              |              |              |
|------------------------------|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Chief Administrative Officer | Estate/Financial Planning (3) | \$ 0         | \$ 0         | \$ 0         | \$ 0         | \$ 32,466    |
|                              | Health / Welfare Payments (4) | \$ 0         | \$ 0         | \$ 0         | \$ 0         | 105,706      |
|                              | Transaction Payment (5)       | \$ 0         | \$ 0         | \$ 1,500,000 | \$ 0         |              |
|                              | Gross Up on Excise Tax (6)    | n/a          | n/a          | n/a          | \$ 1,798,670 |              |
|                              | Total:                        | \$ 4,395,258 | \$ 1,515,724 | \$ 0         | \$ 6,266,883 | \$ 2,552,757 |

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- (1) Cash severance is equal to the sum of the NEO's salary and annual bonus payable for the period beginning on January 31, 2009, the day following the assumed employment termination date, and ending on the last day of the current term of employment under each NEO's respective employment agreement, except that in the case of a termination following a change in control the cash severance is paid for no less than two years following the NEO's employment termination date. The annual bonus amount is determined in accordance with the NEO's employment agreement, as described below. The cash severance amounts reflected in the table do not include the additional payments triggered by a change in control of the Company without regard to termination of employment. These additional payments are reported as transaction payments, as described in note 5 below. The annual salary rates (including the life insurance premium reimbursement treated as salary, as described in footnote 1 to the Summary Compensation Table) as of January 30, 2009 upon which the cash severance is determined are: Mr. Balmuth, \$1,032,739, Mr. Call, \$483,685, Ms. Rentler, \$779,214, Ms. Panattoni, \$715,010 and Mr. O'Sullivan, \$671,838. The annual bonus rates upon which the cash severance is determined, as provided by their respective employment agreements described below are: Mr. Balmuth, \$1,032,739 (100% of salary); Mr. Call, \$266,027 (55% of salary); Ms. Rentler, \$506,489 (65% of salary); Ms. Panattoni, \$464,757 (65% of salary); and Mr. O'Sullivan, \$436,695 (65% of salary). The remaining term of employment or minimum term upon which the cash severance is determined, as provided by their respective employment agreements are: Mr. Balmuth, 1.99 years, Mr. Call, 1.16438 years, Ms. Rentler, 2.16438 years, Ms. Panattoni, 2.16438 years and Mr. O'Sullivan, 2.16438 years.
- (2) Equity acceleration represents the intrinsic value of the unvested stock options, restricted stock and performance share awards held by each NEO on the assumed termination date of January 30, 2009, the vesting of which would be accelerated upon the applicable triggering event to the extent provided by the terms of the NEO's employment agreement (as described below). The amounts reflected in the "Change of Control Regardless of Termination" column assume that outstanding options are assumed by the acquiring or successor corporation and therefore are not subject to accelerated vesting on a "single trigger" basis. See "Applicable Terms of Equity Awards" below. The value of each share subject to accelerated stock option vesting is based on the difference between our common stock's closing market price of \$29.42 on January 30, 2009 and the option's exercise price per share. The value of each share subject to accelerated restricted stock and performance share award vesting is equal to the January 30, 2009 closing market price. The number of shares remaining unvested under each NEO's stock option, restricted stock awards and performance share awards is set forth in the "Outstanding Equity Awards at Fiscal Year-End" table.
- (3) These amounts represent continued reimbursement by the Company of the NEO's estate and financial planning expenses for the period provided by the NEO's employment agreement, as described below. The amounts presented assume each NEO receives the maximum annual benefit provided by the Company, as follows: Mr. Balmuth, \$20,000, Mr. Call, \$10,000, and \$15,000 for each of Ms. Rentler, Ms. Panattoni, and Mr. O'Sullivan. Mr. Balmuth is entitled to lifetime benefits, assumed to be provided for his life expectancy of 24 years and each of the other NEOs is entitled to the greater of two years or the remainder of the agreement term upon a termination of employment following a change in control.
- (4) In accordance with Mr. Balmuth's employment agreement described below, the amounts included in the table for Mr. Balmuth reflect the lifetime provision at the Company's expense for Mr. Balmuth and his spouse of executive medical,

dental, vision, mental health insurance, life insurance, accidental death and dismemberment insurance, travel insurance, group excess personal liability insurance and certain "matching contributions" (as that term is defined by his employment agreement), to the extent provided to him at the date of the applicable event. This value was calculated based on the current annual cost of those benefits of \$47,857 and life expectancies of 24 years for each of Mr. Balmuth and his spouse. For the other NEOs, the amounts in the table reflect medical, dental, vision and mental health insurance coverage for the greater of two years or the remainder of the agreement term upon a termination of employment following a change in control.

(5) The transaction payments are additional cash compensation paid on a "single trigger" basis following a change in control of the Company. These amounts are not conditioned on termination of employment and are paid as additional salary for a period of two years or until the NEO voluntarily resigns (except for Mr. Balmuth), dies or is terminated for cause. For the purposes of this table, a change in control is assumed to occur on January 30, 2009, and the transaction payment period is assumed to commence on January 31, 2009. The annual transaction payments are: Mr. Balmuth, \$1,500,000, Mr. Call, \$500,040, Ms. Rentler, \$750,000, Ms. Panattoni, \$750,000 and Mr. O'Sullivan, \$750,000.

(6) NEOs may be subject to a federal excise tax on compensation they receive in connection with a change in control of the Company. The value determined in accordance with Section 280G of the Internal Revenue Code of payments and benefits provided to an NEO that are contingent upon a change in control or a closely related event, such as termination of employment, may be subject to a 20% excise tax to the extent of the excess of such value over the NEO's average annual taxable compensation from the Company for the five years preceding the year of the change in control (or such shorter period as the NEO was employed by the Company) if the total value of such payments and benefits equals or exceeds an amount equal to three times such average annual taxable compensation. As described below, an NEO who incurs any such excise tax will be entitled to receive from the Company a "gross-up payment" in an amount necessary to place him or her in the same after-tax position had no portion of such contingent payments been subject to excise tax. The amount of the gross-up payments in the table are based on a Section 4999 excise tax rate of 20%, the maximum federal marginal income tax rate of 35% and the maximum marginal rate of the applicable state (and city if applicable) income tax after adjustment to reflect the deductibility of state and city income tax for federal income tax purposes (i.e., an adjusted California income tax rate of 6.695% applicable to Mr. O'Sullivan;). In accordance with the NEO employment agreements, Medicare tax and the phase-out of itemized deductions have not been taken into account. For the purposes of this calculation, it is assumed that the amounts subject to Section 280G will not be discounted as attributable to reasonable compensation, that no value will be attributed to any non-competition agreement applicable to the NEO, and that equity awards granted during the one-year period before the change in control will not be treated as contingent upon the change in control. A portion of the gross-up on excise tax will be paid upon a change in control and the balance upon termination of employment following a change in control.

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## Triggering Events

The right to payments and benefits upon termination of employment described in the table depend upon the circumstances of an NEO's termination. These circumstances are defined in each NEO's employment agreement, and include the following:

- **Termination without Cause:** We will have terminated an NEO without cause if we terminate the NEO's employment for any reason other than "cause" or the NEO's disability or death.
- **Termination for Cause:** We will have "cause" for termination if an NEO continuously fails to perform his or her duties or intentionally engages in illegal or grossly negligent conduct that is materially injurious to the Company. Prior to such termination, we are required to give the NEO a specified notice, and the NEO must have failed to cure his or her conduct, to the extent a cure is possible, within a specified period.



- **Termination for Good Reason:** An NEO may resign for "good reason" within six months after any of the following events: (1) the Company's failure to comply with any material provision of the NEO's employment agreement within ten days after written notice to the Company of its failure; (2) a significant diminishment in the nature or scope of the NEO's position without his or her consent; or (3) without his or her consent, a relocation of the NEO's principal place of employment by more than 25 miles (40 miles in the case of Mr. Balmuth) or outside of the New York area in the case of Ms. Panattoni and Ms. Rentler. In addition, Mr. Balmuth's agreement permits him to resign for good reason if he is not elected Chairman of the Board of Directors when Mr. Ferber ceases to fill that office.
- **Termination Due to Disability:** An NEO's employment will have terminated due to disability if the NEO fails to perform his or her duties on a full-time basis for a period of six consecutive months as a result of a physical or mental illness or condition.
- **Termination upon Non-Renewal of Employment Agreement:** The NEOs' employment agreements typically provide for an initial term of three or four years, subject to one or more extensions for additional consecutive terms of two years. However, an NEO's employment agreement will expire at the end of its then current term if either the NEO fails to request an extension of the employment agreement term or the Board of Directors does not approve the extension.
- **Voluntary Resignation:** An NEO's employment terminates as a result of voluntary resignation if the NEO resigns for any reason other than "good reason" or disability.

In addition to payments and benefits resulting from the employment termination circumstances described above, the NEOs' employment agreements provide for certain payments and benefits in connection with a change in control of the Company. These payments and benefits have either a "single trigger" or a "double trigger," as follows:

- **Change in Control without Regard to Termination:** As described below, the NEOs' employment agreements provide for specified payments and benefits on a "single trigger" basis, meaning that they are triggered by the occurrence of a change in control of the Company and are not conditioned on the NEO's subsequent termination of employment. The NEO employment agreements provide that a "change in control" of the Company occurs if (1) any person or group acquires more than 35% of the total fair market value or voting power of the Company's stock, (2) the Company is a party to a merger after which the Company's stockholders do not retain at least a majority of the voting stock of the surviving company, or (3) there is a sale, exchange or transfer of substantially all of the Company's assets.
- **Termination without Cause or for Good Reason following Change in Control:** In addition to the payments and benefits provided on a "single trigger" basis, the NEOs' employment agreements provide for certain payments and benefits on a "double trigger" basis. These additional payments and benefits are provided if, within one year following a change in control (or, in the case of NEOs other than Mr. Balmuth,

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within the period beginning one month prior to and ending twelve months after the change in control), the NEO's employment is terminated without cause or the NEO resigns for good reason.

#### **Employment Agreement with Mr. Balmuth**

Our agreement with Mr. Balmuth provides that if his employment is terminated without cause, he resigns for good reason, or his employment terminates due to disability, he would be entitled to continued payment of his then current salary through the remaining term of his employment agreement. He would also be entitled to continued payment of an annual bonus through the remainder of the agreement term, with the bonus amount being determined by the greater of his bonus for the year prior to his termination or the bonus he would have earned for the year of his termination had his employment continued, but in any case not to exceed 100% of his target bonus for whichever of those two years has the lesser target bonus. In addition, all of Mr. Balmuth's stock options would vest in full, and he would vest in a pro rata portion of his restricted stock awards based on the number of full months of his employment between each award's grant date and his termination of employment.

If Mr. Balmuth's employment agreement expires as a result of its non-renewal, he would be entitled to any compensation and benefits earned through the date of expiration. In addition, he would vest in a pro rata portion of his restricted stock awards. His stock options would cease to vest as of his employment termination date. He would also be entitled to receive an annual bonus for the completed fiscal year as if he was employed at the time the bonus was paid under the Incentive Compensation Plan.

If Mr. Balmuth is terminated for cause, resigns voluntarily other than for good reason, or dies, he would be entitled to payment of salary through the termination date and any bonus that was fully earned prior to the termination date. The vesting of his stock options would cease as of the termination date, and any unvested restricted stock awards would be forfeited.

In addition to the payments and benefits described above, under the terms of his employment agreement, Mr. Balmuth and his spouse will continue to be eligible for certain Company-paid benefits until their respective deaths, regardless of the reason for Mr. Balmuth's termination of employment. These benefits include executive medical, dental, vision and mental health insurance, life insurance, accidental death and dismemberment insurance, travel insurance, group excess personal liability insurance, estate planning expense reimbursements and certain matching contributions (as that term is defined in his agreement).

If the Company undergoes a change in control, the term of Mr. Balmuth's employment agreement will continue until the later of the date two years after the change in control or the expiration of the agreement's then current term. Mr. Balmuth would be entitled to continued payment of his then current salary and annual bonus during this period. In addition to these payments, Mr. Balmuth would receive as additional salary the sum of \$1,500,000 per year for two years after the effective date of the change in control or until he dies or is terminated for cause. All shares of restricted stock held by Mr. Balmuth would become fully vested, and all unvested stock options held by Mr. Balmuth would either be assumed by the acquiring or successor corporation or become fully vested as described below under Applicable Terms of Equity Award Plans.

If within one year following a change in control of the Company, Mr. Balmuth's employment is terminated either by the Company without cause or he resigns for any reason, in addition to the compensation and benefits triggered by the change in control as described above, Mr. Balmuth would be entitled to a lump sum payment equal to the product of (a) the sum of (i) his then current salary plus (ii) the greater of the most recent annual bonus paid to him or his target bonus for the fiscal year in which such termination occurs, and (b) the greater of two or the number of full and partial years remaining under the term of his employment agreement. Further, all stock options held by Mr. Balmuth would become fully vested and would remain exercisable for a period of two years from the date of his termination.

Mr. Balmuth's employment agreement provides that if he becomes subject to any excise tax imposed by Section 4999 of the Internal Revenue Code on excess parachute payments as a result of any payments and benefits he receives under his employment agreement or any other Company plan or agreement, then the Company will

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pay to Mr. Balmuth a gross-up payment. The gross-up payment will be in an amount necessary to place him in the same after-tax position had no portion of such payments and benefits been subject to the excise tax.

#### **Employment Agreements with Mr. Call, Ms. Rentler, Ms. Panattoni and Mr. O'Sullivan**

Our agreements with Mr. Call, Ms. Rentler, Ms. Panattoni and Mr. O'Sullivan provide that if the NEO's employment is terminated without cause, he or she resigns for good reason, or his or her employment terminates due to disability, the NEO would be entitled to continued payment of his or her then current salary through the remaining term of the employment agreement. The NEO would also be entitled to continued payment of an annual bonus through the remainder of the agreement term, with the bonus amount being determined by the greater of his or her bonus for the year prior to termination or the bonus that would have been earned for the year of termination had the NEO's employment continued, but in any case not to exceed 100% of his or her target bonus for whichever of those two years has the lesser target bonus. In addition, all stock options held by the NEO would vest in full, all performance share awards would vest in full based on actual achievement of the performance goals, all restricted shares earned through performance share awards would vest in full and the NEO would vest in a pro rata portion of his or her restricted stock awards.

If the NEO's employment agreement expires as a result of its non-renewal, he or she would be entitled to any compensation and benefits earned through the date of expiration. In addition, the NEO would be entitled to receive an annual bonus for the year of termination, pro rated for the portion of the bonus year elapsing prior to termination of employment. The amount of the bonus before proration would be determined by the greater of the NEO's bonus for the year prior to termination or the bonus that would have been earned for the year of termination had the NEO's employment continued, but in any case not to exceed 100% of his or her target bonus for whichever of those two years has the lesser target bonus. Further, the NEO would vest in a pro rata portion of his or her restricted stock awards, including restricted stock earned through performance share awards, based on the number of full months of employment between the date of grant and his or her termination date. If the employment agreement expires prior to the end of a performance period, the NEO vests in 30% of the performance share awards that would have vested based on performance target achievement, but pro rated for full months of employment during the performance period. The NEO's stock options would cease to vest as of his or her employment termination date.

If the NEO is terminated for cause, resigns voluntarily other than for good reason, or dies, he or she would be entitled to payment of salary through the termination date and any bonus that was fully earned prior to the termination date. The vesting of the NEO's stock options would cease as of the termination date, any performance share award is forfeited and any unvested restricted stock awards would be forfeited.

Our agreements with Mr. Call, Ms. Rentler, Ms. Panattoni and Mr. O'Sullivan provide that in the event there is a change in control of the Company, each NEO would be entitled to receive as additional salary a specified sum payable for two years after the effective date of the change in control, unless and until the NEO voluntarily resigns or is terminated for cause. Such amounts are: Mr. Call, \$500,040, Ms. Rentler, \$750,000, Ms. Panattoni, \$750,000 and Mr. O'Sullivan, \$750,000. Further, all restricted stock held by these NEOs would vest in full, the target number of performance share awards would vest in full and all unvested stock options would either be assumed by the acquiring or successor corporation or become fully vested as described below under "Applicable Terms of Equity Award Plans."

If within a period beginning one month prior to and ending one year following a change in control of the Company, the NEO's employment is terminated either by the Company without cause or he or she resigns for good reason, the NEO would be entitled to continued payment of his or her then current salary and an annual bonus for the greater of two years or the number of years remaining under the term of his or her employment agreement. The annual bonus amount would be determined by the greater of the NEO's bonus for the year prior to termination or the bonus that would have been earned for the year of termination had the NEO's employment continued, but in any case not to exceed 100% of his or her target bonus for whichever of those two years has the lesser target bonus. In addition, the NEO would be entitled to continuation of health care coverage at the Company's expense and reimbursement of estate planning expenses for two years following his or her termination.

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The NEOs' employment agreements provide that if he or she becomes subject to any excise tax imposed by Section 4999 of the Internal Revenue Code on "excess parachute payments" as a result of any payments and benefits the NEO receives under his or her employment agreement or any other Company plan or agreement, then the Company will pay to the NEO a "gross-up payment." The gross-up payment will be in an amount necessary to place the NEO in the same after-tax position had no portion of such payments and benefits been subject to the excise tax.

#### **Applicable Terms of Equity Award Plans**

Under the terms of our equity award plans, the Board of Directors generally has the discretion to provide for the acceleration of vesting in the event of a change in control or other circumstances determined by the Board in its discretion. Under the terms of the individual award agreements for each participant in our equity award plans, including executive officers, the Board has provided that, in the event of a change in control of the Company, any unvested shares of restricted stock will automatically become completely vested and the vesting of any outstanding stock options that are not assumed by the acquiring or successor corporation will be accelerated in full.

### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Mr. Orban and Mr. Bjorklund have served on our Compensation Committee of our Board for the past fiscal year. None of the members of the Compensation Committee are or have been an officer or employee of the Company. During fiscal 2008, no member of the Compensation Committee had any relationship with the Company requiring disclosure of a related party transaction under Item 404 of Regulation S-K. During fiscal 2008, none of our executive officers served on the compensation committee (or its equivalent) or board of directors of another entity any of whose executive officers served on our Compensation Committee or Board.

### **RELATED PERSON TRANSACTIONS**

The Company maintains consulting and benefits agreements with Mr. Ferber, its Chairman of the Board. The Company also maintained a consulting agreement with Mr. Moldaw, our Chairman Emeritus, until his death in May 2008. The Company had previously arranged for a split dollar life insurance policy, with a face value of \$3,500,000, for the benefit of Mr. Moldaw. No premiums were paid on the policy by the Company during fiscal 2008. During fiscal 2008, the Board of Directors approved a release of the Company's interest in the residual value of the split dollar life insurance policy to Mr. Moldaw's estate, valued at \$285,000 as of February 2, 2008. In addition, after Mr. Moldaw's death, the Company agreed to continue the employment of Mr. Moldaw's assistant to provide administrative support to his estate through May 2009. Further details are described in this Proxy Statement under the caption "Compensation of Directors." The Company's procedure for the review, approval or ratification of related party transactions is to present them to the Audit Committee for its approval, except for compensation-related transactions approved by the Compensation Committee.

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and holders of more than 10% of the common stock to file with the Securities and Exchange Commission reports regarding their ownership and changes in ownership of Company common stock. We believe that during fiscal 2008, our executive officers, directors and 10% stockholders complied with all Section 16(a) filing requirements.

### **PROXY SOLICITATION FEES**

The cost of distribution of materials and any solicitation of proxies will be borne by the Company. We have retained Broadridge Financial Solutions Inc. to assist in the distribution of materials and to provide incremental support in soliciting proxies.

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### **TRANSACTION OF OTHER BUSINESS**

At the date of this Proxy Statement, the only business which management intends to present or knows that others will present at the Annual Meeting is as set forth above. If any other matter or matters are properly brought before the Annual Meeting, or any adjournment thereof, it is the intention of the persons named in the accompanying Proxy to vote the Proxy on such matters in accordance with their best judgment.

### **STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING**

Proposals of stockholders intended to be presented at the next Annual Meeting of stockholders of the Company (1) must be received by the Company at its offices at 4440 Rosewood Drive, Pleasanton, California 94588-3050 no later than December 15, 2009 and (2) must satisfy the conditions established by the Securities and Exchange Commission for stockholder proposals to be included in the Company's Proxy Statement for that meeting.

By Order of the Board of Directors,

Mark LeHocky  
Corporate Secretary

Dated: April 14, 2009

PROXY

**ROSS STORES, INC.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Michael Balmuth and Mark LeHocky, and either of them, as attorneys of the undersigned with full power of substitution, to vote all shares of stock which the undersigned is entitled to vote at the Annual Meeting of Stockholders of Ross Stores, Inc. (the "Company"), to be held on May 20, 2009 at 1:00 p.m. PDT, at the Company's corporate office located at 4440 Rosewood Drive, Pleasanton, California 94588-3050, and at any continuation or adjournment thereof, with all powers which the undersigned might have if personally present at the meeting.

**WHERE NO CONTRARY CHOICE IS INDICATED BY THE STOCKHOLDER, THIS PROXY, WHEN RETURNED, WILL BE VOTED FOR ALL NOMINEES AND FOR EACH OF THE PROPOSALS AND WITH DISCRETIONARY AUTHORITY UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING. THIS PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE TIME IT IS VOTED.**

PLEASE COMPLETE, DATE AND SIGN THIS PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

(CONTINUED AND TO BE SIGNED ON REVERSE SIDE.)

YOUR VOTE IS IMPORTANT TO THE COMPANY

- FOLD AND DETACH HERE -

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE FOLLOWING NOMINEES AND PROPOSALS:

Please mark  
your votes as /X/  
indicated in  
this example

FOR  
all nominees listed  
(except as marked  
to the contrary)  
/ /

WITHHOLD  
AUTHORITY  
to vote for all  
nominees listed  
/ /

Proposal 1. To elect three Class II Directors for a three-year term as proposed in the accompanying Proxy Statement.

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Michael Balmuth

K. Gunnar Bjorklund

Sharon D. Garrett

INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name in the space provided below.

|  |          |              |              |
|--|----------|--------------|--------------|
| Proposal 2. To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending January 30, 2010. | FOR<br>o | AGAINST<br>o | ABSTAIN<br>o |
|--|----------|--------------|--------------|

And to transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The undersigned hereby acknowledges receipt of: (a) Notice of Annual Meeting of Stockholders dated April 14, 2009; (b) the accompanying Proxy Statement; and (c) the Annual Report to Stockholders for the fiscal year ended January 31, 2009 and hereby expressly revokes any and all proxies heretofore given or executed by the undersigned with respect to the shares of stock represented by this Proxy and by filing this Proxy with the Secretary of the Company, gives notice of such revocation.

Signature(s)

Dated

, 2009

Please sign exactly as your name(s) appear(s) on your stock certificate. If shares of stock are held of record in the names of two or more persons or in the name of husband and wife, whether as joint tenants or otherwise, both or all of such persons should sign the Proxy. If shares of stock are held of record by a corporation, the Proxy should be signed by the President or Vice President or the Secretary or Assistant Secretary. Executors or administrators or other fiduciaries who execute the above Proxy for a deceased stockholder should give their full titles.

- FOLD AND DETACH HERE -

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