

ROSS STORES INC
Form DEF 14A
April 17, 2007

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:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

Ross Stores, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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:

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2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

April 18, 2007

Dear Stockholder:

You are cordially invited to attend the 2007 Ross Stores, Inc. Annual Meeting of Stockholders, which will be held on Thursday, May 24, 2007 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. Judy Wirzberger, Finance Department, Ross Stores, Inc., 4440 Rosewood Drive, Pleasanton, California 94588-3050, (925) 965-4514, at least 10 days before the meeting.

Please see the following page for the different methods available to you for voting your proxy. We would appreciate you submitting your proxy vote as soon as possible so that your shares will be represented at the meeting.

Thank you for your commitment to Ross Stores and for your cooperation in returning your proxy without delay.

Sincerely,

ROSS STORES, INC.

Michael Balmuth
Vice-Chairman, President and
Chief Executive Officer

VOTING METHODS

The accompanying Proxy Statement describes proposals that are being submitted for a vote by stockholders at the Ross Stores, Inc. 2007 Annual Meeting to be held on May 24, 2007. If you are a stockholder of record of Ross Stores, Inc. as of March 30, 2007, you have the right to vote your shares, and may elect to do so, through the 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 through the internet or by telephone. Each method is 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 24-hours-a-day, seven days a week.
- b. Enter the series of numbers that appears in the proxy card box, just below the perforation.
- c. Follow the simple instructions.

2. **BY TELEPHONE**

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- a. On a touch-tone telephone, call toll-free 1-877-PRX-VOTE (1-877-779-8683) 24-hours-a-day, seven days a week.
 - b. Enter the series of numbers that appears in the proxy card box, just below the perforation.
 - 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 you hold your shares via a stock certificate registered in your name with Bank of New York, our transfer agent, or if your shares are held in the name of a bank, broker or other holder of record, you will receive separate instructions from Bank of New York or the holder of record that you must follow in order for your shares to be voted.

Your vote is important. Thank you for voting.

ROSS STORES, INC.

**Notice of Annual Meeting of Stockholders
to be Held May 24, 2007**

To the Stockholders:

Please take notice that the Annual Meeting of the Stockholders of Ross Stores, Inc., a Delaware corporation, will be held on Thursday, May 24, 2007 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 two Class III 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 February 2, 2008.
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 30, 2007 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 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.

By order of the Board of Directors,

John G. Call
Corporate Secretary

April 18, 2007

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PROXY STATEMENT

2007 ANNUAL MEETING OF STOCKHOLDERS

ROSS STORES, INC.
4440 Rosewood Drive
Pleasanton, California 94588-3050
(925) 965-4400
www.rossstores.com

PROXY SOLICITATION

The accompanying Proxy is solicited by the Board of Directors of Ross Stores, Inc., a Delaware corporation (the "we" or the "Company"), for use at the Annual Meeting of Stockholders to be held on Thursday, May 24, 2007 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 30, 2007 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 18, 2007, 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 February 3, 2007, 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 two Class III 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 February 2, 2008, and (3) transact such other business as may properly come before the Annual Meeting or any adjournments or postponements.

We had outstanding, on March 30, 2007, our record date, 138,935,140 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.

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.

1

**STOCK OWNERSHIP OF CERTAIN
 BENEFICIAL OWNERS AND MANAGEMENT**

The following table contains information as of March 1, 2007 (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) (2) | Percent of Common Stock Outstanding |
|---|---|------------|-------------------------------------|
| Capital Research and Management Company 333 South Hope Street | 12,692,000 | | 9.1% |

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| | | | |
|---|-----------|------|------|
| Los Angeles, CA 90071 | | | |
| AMVESCAP PLC 30 Finsbury Square London EC2A 1AG, England | 9,191,756 | (2) | 6.6% |
| Putnam, LLC (dba Putnam Investments) One Post Office Square Boston, MA 02109 | 8,738,007 | (2) | 6.3% |
| Michael Balmuth | 463,656 | (3) | * |
| K. Gunnar Bjorklund | 34,402 | (4) | * |
| Michael J. Bush | 55,920 | (5) | * |
| Norman A. Ferber | 68,402 | (6) | * |
| Sharon D. Garrett | 72,402 | (7) | * |
| Stuart G. Moldaw | 62,846 | (8) | * |
| George P. Orban | 1,397,798 | (9) | 1.0% |
| Donald H. Seiler | 605,082 | (10) | * |
| John G. Call | 252,420 | (11) | * |
| James S. Fassio | 255,934 | (12) | * |
| Lisa Panattoni | 188,731 | (13) | * |
| Barbara Rentler | 271,879 | (14) | * |
| All executive officers (as defined by Rule 3b-7 of the Securities and Exchange Act of 1934) and directors as a group (14 persons, including the executive officers and directors named above) | 4,095,183 | (15) | 2.9% |

*Less than 1%

(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.

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(2)

Information is as of December 31, 2006 and is based upon Schedule 13G filings made with the Securities and Exchange Commission. Capital Research and Management Company has disclaimed beneficial ownership of some or all

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of the listed shares pursuant to Rule 13d-4. The Schedule 13G filing by AMVESCAP PLC reflects aggregate shares held by the following entities: AIM Funds Management, Inc., Atlantic Trust Company, N.A., INVESCO Asset Management Deutschland GmbH, INVESCO Institutional (N.A.), Inc., and PowerShares Capital Management LLC. The Schedule 13G filing by Putnam, LLC (dba Putnam Investments) reflects shares held by the following entities: Putnam Investment Management, LLC and The Putnam Advisory Company, LLC.

- (3) Mr. Balmuth. Includes options to purchase 178,641 shares of the Company's common stock exercisable within 60 days of March 1, 2007. Also includes 279,623 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. Represents options to purchase 34,402 shares of the Company's common stock exercisable within 60 days of March 1, 2007.
- (5) Mr. Bush. Includes options to purchase 54,402 shares of the Company's common stock exercisable within 60 days of March 1, 2007.
- (6) Mr. Ferber. Represents options to purchase 68,402 shares of the Company's common stock exercisable within 60 days of March 1, 2007.
- (7) Ms. Garrett. Represents options to purchase 72,402 shares of the Company's common stock exercisable within 60 days of March 1, 2007.
- (8) Mr. Moldaw. Represents options to purchase 62,846 shares of the Company's common stock exercisable within 60 days of March 1, 2007.
- (9) Mr. Orban. Includes 1,196,691 shares held in the name of Orban Partners and 68,705 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 68,402 shares of the Company's common stock exercisable within 60 days of March 1, 2007.
- (10) Mr. Seiler. Includes options to purchase 28,402 shares of the Company's common stock exercisable within 60 days of March 1, 2007.
- (11) Mr. Call. Includes options to purchase 208,166 shares of the Company's common stock exercisable within 60 days of March 1, 2007. Also includes 22,872 shares of the Company's common stock that were granted under the Company's 2004 Equity Incentive Plan and the 1988 Restricted Stock Plan that remain subject to vesting.
- (12) Mr. Fassio. Includes options to purchase 107,852 shares of the Company's common stock exercisable within 60 days of March 1, 2007. Also includes 70,869 shares of the Company's common stock that were granted under the Company's 2004 Equity Incentive Plan and the 1988 Restricted Stock Plan that remain subject to vesting.
- (13) Ms. Panattoni. Includes options to purchase 82,610 shares of the Company's common stock exercisable within 60 days of March 1, 2007. Also includes 104,837 shares of the Company's common stock that were granted under the Company's 2004 Equity Incentive Plan that remain subject to vesting.
- (14) Ms. Rentler. Includes options to purchase 121,852 shares of the Company's common stock exercisable within 60 days of March 1, 2007. Also includes 129,278 shares of the Company's common stock that were granted under the Company's 2004 Equity Incentive Plan and the 1988 Restricted Stock Plan that remain subject to vesting.
- (15) Includes 1,305,945 shares subject to outstanding options held by directors and executive officers, which were exercisable on March 1, 2007 or within 60 days thereof. Also includes 716,424 shares of the Company's common stock granted under the Company's 2004 Equity Plan and the 1988 Restricted Stock

Plan that remain subject to vesting.

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PROPOSAL 1 ELECT CLASS III DIRECTORS

If elected, each nominee will hold office for a three-year term or until his successor is elected and qualified unless he resigns or his 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 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 two 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 two Class III nominees listed under
Information Regarding Nominees and Incumbent Directors.**

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, and there is one vacancy in Class III. A search to fill the one current Board vacancy is underway. The Nominating and Corporate Governance Committee will consider qualified candidates for nomination for election to the open seat on the Board of Directors and make a recommendation to the full Board concerning such candidates.

The terms of the two current Class III directors, Michael J. Bush and Norman A. Ferber, will expire on the date of the upcoming Annual Meeting. Accordingly, two persons are to be elected to serve as Class III 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 III of the Board are the two incumbent Class III directors. If elected, the nominees will serve as directors until the Annual Meeting of Stockholders in 2010 and until their successors are elected and qualified. If any of the nominees declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although the Company knows of no reason to anticipate that this will occur), 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 two nominees.

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The following table indicates the name, age, business experience, principal occupation and term of office of each nominee and of each director of the Company whose term of office as a director will continue after the 2007 Annual Meeting.

| | Principal Position During Last Five Years | Age | Director Since |
|--|---|-----|-------------------|
| <i>Nominees for Election as Class III Directors with Terms Expiring in 2010</i> | | | |
| Michael J. Bush | Managing Member, B IV Investments, LLC since 2007. President and Chief Executive Officer, Anchor Blue Retail Group from December 2003 to January 2007; President | 46 | 2001 |

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| | | | |
|------------------|--|----|------|
| | and Chief Executive Officer of 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. | | |
| Norman A. Ferber | Consultant to the Company since September 1996. Chairman of the Board since March 1993; Chief Executive Officer 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. | 58 | 1987 |

Incumbent Class I Directors with Terms Expiring in 2008

| | | | |
|------------------|--|----|------|
| Stuart G. Moldaw | Consultant to the Company. Chairman Emeritus of the Company since March 1993. From August 1982 until March 1993, Chairman of the Board and, from February 1987 until January 1988, Chief Executive Officer of the Company. Chairman Emeritus of Gymboree Corporation since June 2002, from January 1994 to June 2002, Chairman of the Board of Gymboree, and Chief Executive Officer from February 2000 to February 2001. Until February 1990, general partner of U.S. Venture Partners. | 80 | 1982 |
| 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. | 61 | 1982 |
| Donald H. Seiler | Founding Partner of Seiler & Company since 1957. Mr. Seiler is a Certified Public Accountant. | 78 | 1982 |

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| | Principal Position During Last Five Years | Age | Director Since |
|---|---|-----|-------------------|
| Incumbent Class II Directors with Terms Expiring in 2009 | | | |
| 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. | 56 | 1996 |
| K. Gunnar Bjorklund | Managing Director, General Partner of 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. | 47 | 2003 |

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| | | | |
|-------------------|---|----|------|
| Sharon D. Garrett | Chief Operating Officer, Physical Therapy Holdings, Inc, since 2006. Executive Vice President, PacifiCare Health Systems from 2002 to 2006. 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. Chief Operating Officer U.S. Operations for Porton International from 1984 to 1986. | 58 | 2000 |
|-------------------|---|----|------|

During fiscal 2006, the Board held six meetings. No 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 ("NASDAQ"). The independent directors had three meetings in executive session during the fiscal year 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 website, <http://www.rossstores.com>, 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.

Audit Committee. The members of the Audit Committee during fiscal 2006 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 and reviewing and approving related party transactions. The Audit Committee held eight meetings during the 2006 fiscal year. The functions and activities of the Audit Committee are further described below under the heading *Board of Directors Audit Committee Report*.

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Compensation Committee. The members of the Compensation Committee during fiscal 2006 were Messrs. Orban and Bjorklund, each of whom is independent for purposes of the applicable NASDAQ listing standards. The Committee held eight meetings during fiscal 2006. 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. The 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 determining the performance goals under the Company's 2004 Equity Incentive Plan and Incentive Compensation Plan, and administering the Employee Stock Purchase Plan. The Committee is also appointed to assist the Board in succession planning, development and retention of senior management talent to ensure leadership continuity and organizational strength to achieve the Company's short and long-term goals.

Nominating and Corporate Governance Committee. The members of the Nominating and Corporate Governance Committee (renamed from the Nominating Committee in May 2006) during fiscal 2006 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 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 held two meetings during fiscal 2006.

Biographical information concerning our executive officers is contained in our Annual Report on Form 10-K for the fiscal year ended February 3, 2007.

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; and
- (viii) other qualifications and characteristics the Committee believes are pertinent.

A search to fill the one current Board vacancy is underway. The Nominating and Corporate Governance Committee will consider qualified candidates for nomination for election to the open seat on the Board of Directors and make 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 that have been 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, received by us not later than 120 calendar days before the one year anniversary of our mailing of our prior year's Proxy Statement 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.

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 if it 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 Stockholders Meeting

We typically schedule a Board meeting in conjunction with the Annual Stockholders Meeting. We expect, but do not require, that all directors will attend, absent a valid reason, such as a schedule conflict. Last year, all eight members of the Board of Directors attended the 2006 Annual Meeting.

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 February 2, 2008. 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 practice. 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 February 2, 2008.

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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 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, <http://www.rossstores.com>, 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 2006. 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 February 3, 2007 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 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 the matters in the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). 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 February 3, 2007 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 February 2, 2008, 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 2006 and 2005.

| Fees | Fiscal Year 2006 | Fiscal Year 2005 |
|---------------------|------------------|------------------|
| Audit Fees | \$1,089,000 | \$1,069,000 |
| Audit-Related Fees | 102,000 | 84,000 |
| Tax Fees | | |
| Tax Compliance Fees | 224,000 | 164,000 |
| Other Tax Services | -- | -- |
| All Other Fees | -- | -- |
| Total Fees | \$1,415,000 | \$1,317,000 |

Audit Fees in fiscal 2006 and 2005 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). 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 AND DIRECTOR COMPENSATION**SUMMARY COMPENSATION TABLE**

The following table provides certain summary information concerning compensation paid, accrued, or recognized as an expense by the Company for the 2006 fiscal year to or on behalf of the Chief Executive Officer, the 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 Awards (3) | Option Awards (4) | Non-Equity Incentive Plan Compensation (5) | All Other Compensation (6) | Total |
|--|------|------------|-----------|------------------|-------------------|--|----------------------------|-------------|
| Michael Balmuth | | | | | | | | |
| Vice Chairman, President & Chief Executive Officer | 2006 | \$993,791 | \$0 | \$3,505,128 | \$2,358,163 | \$1,099,848 | \$212,763 | \$8,169,693 |
| John G. Call | | | | | | | | |
| Senior Vice President & Chief Financial Officer | 2006 | \$452,310 | \$0 | \$188,904 | \$118,209 | \$367,054 | \$36,154 | \$1,162,631 |
| Lisa Panattoni | | | | | | | | |
| Executive Vice President, Merchandising | 2006 | \$590,246 | \$0 | \$861,988 | \$321,910 | \$570,964 | \$52,003 | \$2,397,111 |
| Barbara Rentler | | | | | | | | |
| Executive Vice President, Merchandising | 2006 | \$612,613 | \$0 | \$530,596 | \$231,120 | \$588,181 | \$47,682 | \$2,010,192 |
| James S. Fassio | | | | | | | | |
| Executive Vice President Property Development, Construction and Store Design | 2006 | \$579,735 | \$100,000 | \$447,942 | \$220,909 | \$556,106 | \$71,697 | \$1,976,389 |