ROSS STORES INC
Form 10-Q
December 09, 2009

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended October 31, 2009

or

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

For the transition period from _____ to _____

Commission file number: 0-14678

Ross Stores, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**94-1390387** (I.R.S. Employer Identification No.)
4440 Rosewood Drive, Pleasanton, California (Address of principal executive offices)	**94588-3050** (Zip Code)
Registrant's telephone number, including area code	**(925) 965-4400**
Former name, former address and former fiscal year, if changed since last report.	N/A

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No _X_

The number of shares of Common Stock, with $.01 par value, outstanding on November 19, 2009 was 123,873,076.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statements of Earnings

	Three Months Ended		Nine Months Ended	
($000, except stores and per share data, unaudited)	**October 31, 2009**	November 1, 2008	**October 31, 2009**	November 1, 2008
Sales	**$ 1,744,139**	$ 1,555,287	**$ 5,204,374**	$ 4,752,027
Costs and expenses				
Costs of goods sold	**1,284,852**	1,198,451	**3,864,697**	3,635,230
Selling, general and administrative	**286,511**	262,534	**844,699**	779,045
Interest expense (income), net	**1,943**	(15)	**4,989**	(2,688)
Total costs and expenses	**1,573,306**	1,460,970	**4,714,385**	4,411,587
Earnings before taxes	**170,833**	94,317	**489,989**	340,440
Provision for taxes on earnings	**65,753**	37,047	**190,115**	132,386
Net earnings	**$ 105,080**	$ 57,270	**$ 299,874**	$ 208,054
Earnings per share				
Basic	**$ 0.86**	$ 0.44	**$ 2.43**	$ 1.60
Diluted	**$ 0.84**	$ 0.44	**$ 2.39**	$ 1.57
Weighted average shares outstanding (000)				
Basic	**122,377**	128,930	**123,512**	130,119
Diluted	**124,648**	131,099	**125,592**	132,324
Dividends per share				
Cash dividends declared per share	**$ 0.110**	$ 0.095	**$ 0.220**	$ 0.190
Stores open at end of period	**1,008**	963	**1,008**	963

See notes to condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

($000, unaudited)	**October 31, 2009**	January 31, 2009	November 1, 2008
Assets			
Current Assets			
Cash and cash equivalents	**$ 576,162**	$ 321,355	$ 231,241
Short-term investments	**979**	798	2,833
Accounts receivable	**47,496**	41,170	47,104
Merchandise inventory	**1,014,638**	881,058	1,093,082
Prepaid expenses and other	**63,048**	55,241	62,591
Deferred income taxes	**11,737**	14,093	19,805
Total current assets	**1,714,060**	1,313,715	1,456,656
Property and Equipment			
Land and buildings	**238,902**	201,385	169,938
Fixtures and equipment	**1,168,437**	1,073,990	1,043,370
Leasehold improvements	**528,067**	509,971	503,213
Construction-in-progress	**19,141**	72,839	87,176

	1,954,547	1,858,185	1,803,697
Less accumulated depreciation and amortization	**1,008,813**	906,529	871,806
Property and equipment, net	**945,734**	951,656	931,891
Long-term investments	**18,974**	38,014	39,072
Other long-term assets	**62,702**	52,126	55,020
Total assets	**$ 2,741,470**	$ 2,355,511	$ 2,482,639
Liabilities and Stockholders Equity			
Current Liabilities			
Accounts payable	**$ 767,771**	$ 536,745	$ 686,401
Accrued expenses and other	**235,605**	238,516	243,509
Accrued payroll and benefits	**193,221**	170,878	168,845
Income taxes payable	**11,275**	9,120	-
Total current liabilities	**1,207,872**	955,259	1,098,755
Long-term debt	**150,000**	150,000	150,000
Other long-term liabilities	**171,666**	156,726	162,134
Deferred income taxes	**104,739**	97,157	85,860
Commitments and contingencies			
Stockholders Equity			
Common stock	**1,240**	1,273	1,296
Additional paid-in capital	**676,935**	626,117	626,076
Treasury stock	**(36,248)**	(30,819)	(29,470)
Accumulated other comprehensive income (loss)	**187**	(1,174)	(2,729)
Retained earnings	**465,079**	400,972	390,717
Total stockholders equity	**1,107,193**	996,369	985,890
Total liabilities and stockholders equity	**$ 2,741,470**	$ 2,355,511	$ 2,482,639

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

	Nine Months Ended	
($000, unaudited)	**October 31, 2009**	November 1, 2008
Cash Flows From Operating Activities		
Net earnings	**$ 299,874**	$ 208,054
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	**115,188**	100,919
Stock-based compensation	**19,232**	17,156
Deferred income taxes	**9,838**	6,795
Tax benefit from equity issuance	**7,773**	8,105
Excess tax benefit from stock-based compensation	**(6,184)**	(5,850)
Change in assets and liabilities:		
Merchandise inventory	**(133,580)**	(67,787)
Other current assets	**(14,133)**	(19,272)
Accounts payable	**245,034**	61,982
Other current liabilities	**36,564**	48,646
Other long-term, net	**4,276**	10,085
Net cash provided by operating activities	**583,882**	368,833
Cash Flows From Investing Activities		
Additions to property and equipment	**(124,175)**	(175,468)
Proceeds from sales of property and equipment	**10**	117
Purchases of investments	**(2,904)**	(32,942)
Proceeds from investments	**23,223**	33,833

Net cash used in investing activities		**(103,846)**		(174,460)
Cash Flows From Financing Activities				
Excess tax benefit from stock-based compensation		**6,184**		5,850
Issuance of common stock related to stock plans		**45,392**		45,599
Treasury stock purchased		**(5,428)**		(3,560)
Repurchase of common stock		**(229,817)**		(231,404)
Dividends paid		**(41,560)**		(37,197)
Net cash used in financing activities		**(225,229)**		(220,712)
Net increase (decrease) in cash and cash equivalents		**254,807**		(26,339)
Cash and cash equivalents:				
Beginning of period		**321,355**		257,580
End of period	**$**	**576,162**	$	231,241
Supplemental Cash Flow Disclosures				
Interest paid	**$**	**4,834**	$	4,834
Income taxes paid	**$**	**166,382**	$	139,215
Non-Cash Investing Activities				
Increase (decrease) in fair value of investment securities	**$**	**1,462**	$	(4,069)

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Three and Nine Months Ended October 31, 2009 and November 1, 2008
(Unaudited)

Note A: Summary of Significant Accounting Policies

Basis of Presentation. The accompanying unaudited interim condensed consolidated financial statements have been prepared from the records of Ross Stores, Inc. and subsidiaries (the "Company") without audit and, in the opinion of management, include all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the Company's financial position as of October 31, 2009 and November 1, 2008, the results of operations for the three and nine month periods ended October 31, 2009 and November 1, 2008, and cash flows for the nine month periods ended October 31, 2009 and November 1, 2008. The Condensed Consolidated Balance Sheet as of January 31, 2009, presented herein, has been derived from the Company's audited consolidated financial statements for the fiscal year then ended.

Accounting policies followed by the Company are described in Note A to the audited consolidated financial statements for the fiscal year ended January 31, 2009. Certain information and disclosures normally included in the notes to annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted for purposes of these interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including notes thereto, contained in the Company's Annual Report on Form 10-K for the year ended January 31, 2009.

The results of operations for the three and nine month periods ended October 31, 2009 and November 1, 2008 presented herein are not necessarily indicative of the results to be expected for the full fiscal year.

In preparing these interim condensed consolidated financial statements, the Company evaluated, for potential recognition and disclosure, events and transactions that occurred up through December 8, 2009.

Total comprehensive income. The components of total comprehensive income for the three and nine month periods ended October 31, 2009 and November 1, 2008 are as follows (in $000):

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	**October 31, 2009**	November 1, 2008
Net income	**$ 105,080**	$ 57,270	**$ 299,874**	$ 208,054
Change in unrealized gain (loss) on investments, net of taxes	**375**	(1,367)	**950**	(2,487)
Total comprehensive income	**$ 105,455**	$ 55,903	**$ 300,824**	$ 205,567

Estimated fair value of financial instruments. The carrying value of cash and cash equivalents, short-term and long-term investments, accounts receivable, and accounts payable approximates their estimated fair value.

Sales Mix. The Company's sales mix is shown below for the three and nine month periods ended October 31, 2009 and November 1, 2008:

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	**October 31, 2009**	November 1, 2008
Ladies	**30%**	32%	**32%**	33%
Home accents and bed and bath	**23%**	23%	**23%**	22%
Accessories, lingerie, fine jewelry, and fragrances	**13%**	12%	**12%**	11%
Men's	**12%**	13%	**12%**	14%
Shoes	**12%**	10%	**12%**	11%
Children's	**10%**	10%	**9%**	9%
Total	**100%**	100%	**100%**	100%

Dividends. Dividends included in the Condensed Consolidated Statements of Cash Flows reflect dividends paid during the periods shown. Dividends per share reported in the Condensed Consolidated Statements of Earnings reflect dividends declared during the periods shown. In January, May, and August 2009, the Company's Board of Directors declared a quarterly cash dividend of $.11 per common share that was paid in March, June, and September 2009, respectively. In January, May, August, and November 2008 the Company's Board of Directors declared a quarterly cash dividend of $.095 per common share that was paid in March, July, and October 2008, and January 2009, respectively.

In November 2009, the Company's Board of Directors declared a cash dividend of $.11 per common share, payable on December 31, 2009.

Provision for litigation costs and other legal proceedings. Like many California retailers, the Company has been named in class action lawsuits regarding wage and hour claims. Class action litigation involving allegations that hourly associates have missed meal and/or rest break periods, as well as allegations of unpaid overtime wages to assistant store managers at Company stores under state law remains pending as of October 31, 2009.

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

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

Note B: Investments

The amortized cost and fair value of the Company's available-for-sale securities as of October 31, 2009 were:

($000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short-term	Long-term
Auction-rate securities	$ 1,050	$ -	$ -	$ 1,050	$ -	$ 1,050
Asset-backed securities	192	1	-	193	193	-
Corporate securities	9,700	490	(82)	10,108	353	9,755
U.S. Government and agency securities	5,252	33	(151)	5,134	-	5,134
Mortgage-backed securities	3,473	234	(239)	3,468	433	3,035
Total	$ 19,667	$ 758	$ (472)	$ 19,953	$ 979	$ 18,974

The amortized cost and fair value of the Company's available-for-sale securities as of November 1, 2008 were:

($000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short-term	Long-term
Auction-rate securities	$ 1,100	$ -	$ -	$ 1,100	$ -	$ 1,100
Asset-backed securities	1,272	2	(78)	1,196	674	522
Corporate securities	15,219	6	(1,861)	13,364	-	13,364
U.S. Government and agency securities	17,834	186	(7)	18,013	702	17,311
Mortgage-backed securities	9,209	71	(1,048)	8,232	1,457	6,775
Total	$ 44,634	$ 265	$ (2,994)	$ 41,905	$ 2,833	$ 39,072

At October 31, 2009, the Company had investments of approximately $19.7 million, of which $3.2 million had gross unrealized losses of $0.3 million that had been in a continuous unrealized loss position for more than twelve months. Of the remaining $16.5 million, $4.1 million of investments had gross unrealized losses of $0.2 million which had been in a continuous unrealized loss position for less than twelve months. These unrealized losses on investments were caused primarily by the decline in market values of mortgage-backed, asset-backed, and financial sector corporate securities. The Company does not consider these investments to be other than temporarily impaired at October 31, 2009.

In applying the valuation principles to financial assets and liabilities, a three-tier fair value hierarchy was used to prioritize the inputs used in the valuation methodologies as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

This fair value hierarchy also requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Asset-backed, corporate, U.S. Government and agency, and mortgage-backed securities are classified within Level 1 or Level 2 because these securities are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs. The Company's investment in auction rate securities is classified within Level 3 because these are valued using valuation techniques for which some of the inputs to these models are unobservable in the market.

Assets measured at fair value are summarized below:

		Fair Value Measurements at Reporting Date		
($000)	October 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Auction-rate securities	$ 1,050	$ -	$ -	$ 1,050
Asset-backed securities	193	-	193	-
Corporate securities	10,108	-	10,108	-
U.S. Government and agency securities	5,134	5,134	-	-
Mortgage-backed securities	3,468	-	3,468	-
Total assets measured at fair value	$ 19,953	$ 5,134	$ 13,769	$ 1,050

The underlying assets in the Company's non-qualified deferred compensation program totaling $50.2 million as of October 31, 2009 (included in Other long term assets) primarily consist of money market, stable value, stock, and bond funds. The fair value measurement for funds that are quoted market prices in active markets (Level 1) totaled $43.5 million as of October 31, 2009. The fair value measurement for funds without quoted market prices in active markets (Level 2) totaled $6.7 million as of October 31, 2009. Fair market value for these Level 2 funds is considered to be the sum of participant funds invested under the contract plus accrued interest.

Note C: Stock-Based Compensation

2008 Equity Incentive Plan. In May 2008, the Company's stockholders approved the adoption of the Ross Stores, Inc. 2008 Equity Incentive Plan (the "2008 Plan") with an initial share reserve of 8.3 million shares of the Company's common stock, of which 6.0 million shares can be issued as full value awards. The 2008 Plan provides for various types of incentive awards, which may potentially include the grant of stock options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares, performance units, and deferred compensation awards.

Restricted stock. The Company grants restricted shares to directors, officers and key employees. The fair value of these shares at the date of grant is expensed on a straight-line basis over the vesting period of generally three to five years. During the nine month period ended October 31, 2009, restricted stock awards totaling 847,000 shares were issued and restricted stock awards totaling 20,000 shares were forfeited. The aggregate unamortized compensation expense at October 31, 2009 was $43.4 million. During the period ended October 31, 2009, shares purchased by the Company for tax withholding totaled approximately 149,000 shares and are considered treasury shares which are available for reissuance. As of October 31, 2009, shares subject to repurchase related to unvested restricted stock totaled 2.3 million shares.

Performance shares. The Company has a performance share award program for senior executives. A performance share award represents a right to receive shares of common stock on a specified settlement date based on the Company's attainment of a profitability-based performance goal during the performance period. If attained, the common stock then granted vests over a specified remaining service period, generally two years. For the nine month periods ended October 31, 2009 and November 1, 2008, the Company recognized $3.2 million and $1.0 million, respectively, of expense related to performance share awards.

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

Stock-based compensation. For the three and nine month periods ended October 31, 2009 and November 1, 2008, the Company recognized stock-based compensation expense as follows:

	Three Months Ended		Nine Months Ended	
($000)	**October 31, 2009**	November 1, 2008	**October 31, 2009**	November 1, 2008
Stock Options and ESPP	**$ 642**	$ 1,393	**$ 2,356**	$ 4,015
Restricted stock and performance shares	**5,574**	4,433	**16,876**	13,141
Total	**$ 6,216**	$ 5,826	**$ 19,232**	$ 17,156

No stock options were granted during the three and nine month periods ended October 31, 2009 and November 1, 2008.

Total stock-based compensation recognized in the Company□s Condensed Consolidated Statements of Earnings for the three and nine month periods ended October 31, 2009 and November 1, 2008 is classified as follows:

	Three Months Ended		Nine Months Ended	
Statement of Earnings Classification ($000)	**October 31, 2009**	November 1, 2008	**October 31, 2009**	November 1, 2008
Cost of goods sold	**$ 2,884**	$ 2,693	**$ 8,733**	$ 7,475
Selling, general and administrative	**3,332**	3,133	**10,499**	9,681
Total	**$ 6,216**	$ 5,826	**$ 19,232**	$ 17,156

Stock option activity. The following table summarizes stock option activity for the nine month period ended October 31, 2009:

(000, except per share data)	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 31, 2009	4,534	$ 25.39		
Granted	-	$ -		
Exercised	(1,628)	$ 25.23		
Forfeited	(13)	$ 26.41		
Outstanding at October 31, 2009	**2,893**	**$ 25.47**	**4.79**	**$ 53,628**
Vested and Expected to Vest at October 31, 2009	**2,864**	**$ 25.38**	**4.76**	**$ 53,344**
Exercisable at October 31, 2009	**2,507**	**$ 24.13**	**4.39**	**$ 49,837**

The following table summarizes information about the weighted average remaining contractual life (in years) and the weighted average exercise prices for stock options both outstanding and exercisable as of October 31, 2009 (number of shares in thousands):

			Options outstanding			Options exercisable	
Exercise price range			**Number of shares**	**Remaining life**	**Exercise price**	**Number of shares**	**Exercise price**
$ 7.19	to	$ 19.02	596	1.92	$ 14.45	596	$ 14.45
19.13	to	26.99	603	4.30	23.73	603	23.73
27.02	to	28.35	581	5.72	27.76	577	27.76
28.36	to	29.42	597	5.15	28.92	591	28.93
29.57	to	34.37	516	7.20	33.67	140	31.88
$ 7.19	to	$ 34.37	2,893	4.79	$ 25.47	2,507	$ 24.13

Note D: Earnings Per Share

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

For the three month period ended October 31, 2009, no weighted average shares were excluded from the calculation of diluted EPS as there were no potentially anti-dilutive shares for the period. For the nine month period ended October 31, 2009, approximately 4,800 weighted average shares were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive. For the three and nine month periods ended November 1, 2008, approximately 544,700 and 594,300 weighted average shares were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive in the periods presented.

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

	Three Months Ended			**Nine Months Ended**		
	Basic EPS	Effect of Dilutive Common Stock Equivalents	Diluted EPS	Basic EPS	Effect of Dilutive Common Stock Equivalents	Diluted EPS
October 31, 2009						
Shares	**122,377**	**2,271**	**124,648**	**123,512**	**2,080**	**125,592**
Amount	**$ 0.86**	**$ (0.02)**	**$ 0.84**	**$ 2.43**	**$ (0.04)**	**$ 2.39**
November 1, 2008						
Shares	128,930	2,169	131,099	130,119	2,205	132,324
Amount	$ 0.44	$ -	$ 0.44	$ 1.60	$ (0.03)	$ 1.57

Note E: Debt

The Company has a $600 million revolving credit facility with an expiration date of July 2011 and interest pricing at LIBOR plus 45 basis points. The Company had no borrowings outstanding under this facility as of October 31, 2009, January 31, 2009, and November 1, 2008.

The Company has a Note Purchase Agreement with various institutional investors for $150 million of unsecured, senior notes. The notes were issued in two series. The series A notes totaling $85 million are due in December 2018 and bear interest at a rate of 6.38%. The series B notes totaling $65 million are due in December 2021 and bear interest at a rate of 6.53%. The fair value of these notes as of October 31, 2009 of approximately $163 million is estimated by obtaining comparable market quotes.

Borrowings under the credit facilities and these notes are subject to certain covenants, including interest coverage and other financial ratios. As of October 31, 2009, the Company was in compliance with these covenants.

Note F: Taxes on Earnings

As of October 31, 2009 and November 1, 2008, the reserves for unrecognized tax benefits (net of federal tax benefits) were $29.6 million and $26.5 million inclusive of $7.6 million and $8.1 million of related interest, respectively. The Company accounts for interest and penalties related to unrecognized tax benefits as a part of its provision for taxes on earnings. If recognized, $22.8 million would impact the Company's effective tax rate. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes.

During the next twelve months, it is reasonably possible that the statute of limitations may lapse pertaining to positions taken by the Company in prior year tax returns. If this occurs, the total amount of unrecognized tax benefits may decrease, reducing the provision for taxes on earnings by up to $1.7 million.

The Company is generally open to audit by the Internal Revenue Service under the statute of limitations for fiscal years 2006 through 2008. The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2004 through 2008. Certain state tax returns are currently under audit by state tax authorities. The Company does not expect the results of these audits to have a material impact on the consolidated financial statements.

Note G: Recently Issued Accounting Standards

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). SFAS 167 requires a qualitative approach to identifying a controlling financial interest in a variable interest entity (VIE), and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. SFAS No. 167 is effective for fiscal years beginning after November 15, 2009. The Company does not believe the adoption of SFAS 167 will have a material impact on its consolidated financial statements.

Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of October 31, 2009 and November 1, 2008, and the related condensed consolidated statements of earnings for the three-month and nine-month periods ended October 31, 2009 and November 1, 2008, and of cash flows for the nine-month periods ended October 31, 2009 and November 1, 2008. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than

an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Ross Stores, Inc. and subsidiaries as of January 31, 2009, and the related consolidated statements of earnings, stockholders equity, and cash flows for the year then ended (not presented herein), and in our report (which includes an explanatory paragraph regarding the adoption of a new accounting standard) dated March 26, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 31, 2009, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/Deloitte & Touche LLP

San Francisco, California
December 8, 2009

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part II, Item 1A (Risk Factors) below. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for 2008. All information is based on our fiscal calendar.

Overview

We are the second largest off-price apparel and home goods retailer in the United States. As of October 31, 2009, we operated 955 Ross Dress for Less (Ross) stores in 27 states and Guam, and 53 dds DISCOUNTS stores in four states. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear and home fashions at everyday savings of 20% to 60% off department and specialty store regular prices. dds DISCOUNTS features a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear and home fashions at everyday savings of 20% to 70% off moderate department and discount store regular prices.

Results of Operations

The following table summarizes the financial results for the three and nine month periods ended October 31, 2009 and November 1, 2008:

	Three Months Ended		**Nine Months Ended**	
	October 31, 2009	November 1, 2008	**October 31, 2009**	November 1, 2008
Sales				
Sales (millions)	**$ 1,744**	$ 1,555	**$ 5,204**	$ 4,752
Sales growth	**12.1%**	5.9%	**9.5%**	9.9%
Comparable store sales growth	**8%**	0%	**5%**	3%

Costs and expenses (as a percent of sales)				
Cost of goods sold	**73.7%**	77.1%	**74.3%**	76.5%
Selling, general and administrative	**16.4%**	16.9%	**16.2%**	16.4%
Interest expense (income), net	**0.1%**	0.0%	**0.1%**	(0.1)%
Earnings before taxes	**9.8%**	6.0%	**9.4%**	7.2%
Net earnings	**6.0%**	3.7%	**5.8%**	4.4%

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

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	**October 31, 2009**	November 1, 2008
Stores at the beginning of the period	**990**	943	**956**	890
Stores opened in the period	**18**	23	**56**	77
Stores closed in the period	**-**	(3)	**(4)**	(4)
Stores at the end of the period	**1,008**	963	**1,008**	963

Sales. Sales for the three month period ended October 31, 2009 increased $188.9 million, or 12.1%, compared to the three month period ended November 1, 2008, due to the addition of 45 net new stores opened between November 1, 2008 and October 31, 2009 and an 8% increase in □comparable□ store sales (defined as stores that have been open for more than 14 complete months). Sales for the nine month period ended October 31, 2009 increased $452.3 million, or 9.5%, compared to the nine month period ended November 1, 2008, with comparable store sales up 5% on top of a 3% gain in the prior year.

Our sales mix is shown below for the three and nine month periods ended October 31, 2009 and November 1, 2008:

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	**October 31, 2009**	November 1, 2008
Ladies	**30%**	32%	**32%**	33%
Home accents and bed and bath	**23%**	23%	**23%**	22%
Accessories, lingerie, fine jewelry, and fragrances	**13%**	12%	**12%**	11%
Men's	**12%**	13%	**12%**	14%
Shoes	**12%**	10%	**12%**	11%
Children's	**10%**	10%	**9%**	9%
Total	**100%**	100%	**100%**	100%

We expect to address the competitive climate for off-price apparel and home goods by pursuing and refining our existing strategies and by continuing to invest in our merchant organization, to diversify our merchandise mix, and to more fully develop our processes and systems to improve regional and local merchandise offerings. Although our strategies and store expansion program contributed to sales gains for the three and nine month periods ended October 31, 2009, we cannot be sure that they will result in a continuation of sales growth or in an increase in net earnings.

Cost of goods sold. Cost of goods sold for the three month period ended October 31, 2009 increased $86.4 million compared to the same period in the prior year mainly due to increased sales from the opening of 45 net new stores between November 1, 2008 and October 31, 2009 and an 8% increase in comparable store sales.

Cost of goods sold as a percentage of sales for the three month period ended October 31, 2009 decreased approximately 340 basis points from the same period in the prior year. This improvement was driven primarily by a 245 basis point increase in merchandise gross margin, which included a 100 basis point benefit from lower-than-expected shortage. In addition, freight costs declined by 40 basis points, occupancy expense leveraged by approximately 40 basis points, and distribution costs declined by about 25 basis points compared to the prior year period. These favorable trends were partially offset by a 10 basis point increase in buying expenses from higher incentive costs.

Cost of goods sold for the nine month period ended October 31, 2009 increased $229.5 million compared to the same period in the prior year mainly due to increased sales from the opening of 45 net new stores between November 1, 2008 and October 31, 2009 and a 5% increase in comparable store sales.

Cost of goods sold as a percentage of sales for the nine month period ended October 31, 2009 decreased approximately 225 basis points from the same period in the prior year. This improvement was driven primarily by a 155 basis point increase in merchandise gross margin, which includes a 40 basis point benefit from lower shortage. In addition, freight costs declined by about 60 basis points, occupancy expense leveraged about 25 basis points, and distribution costs declined by about 10 basis points. These improvements were partially offset by a 25 basis point increase in buying expenses from higher incentive costs.

We cannot be sure that the gross profit margins realized for the three and nine month periods ended October 31, 2009 will continue in the future.

Selling, general and administrative expenses. For the three month period ended October 31, 2009, selling, general and administrative expenses increased $24.0 million compared to the same period in the prior year, mainly due to increased store operating costs reflecting the opening of 45 net new stores between November 1, 2008 and October 31, 2009.

Selling, general and administrative expenses as a percentage of sales for the three month period ended October 31, 2009 decreased by approximately 45 basis points over the same period in the prior year. This improvement was mainly driven by 55 basis points of leverage on store operating expenses partially offset by a 10 basis point increase in general and administrative expenses due to higher incentive costs versus the prior year.

For the nine month period ended October 31, 2009, selling, general and administrative expenses increased $65.7 million compared to the same period in the prior year, mainly due to increased store operating costs reflecting the opening of 45 net new stores between November 1, 2008 and October 31, 2009.

Selling, general and administrative expenses as a percentage of sales for the nine month period ended October 31, 2009 decreased by approximately 15 basis points over the same period in the prior year. This improvement was mainly driven by 40 basis points of leverage on store operating expenses partially offset by a 25 basis point increase in general and administrative expenses mainly due to higher incentive costs versus the prior year.

Interest expense (income), net. Net interest expense increased for the three and nine month periods ended October 31, 2009 by approximately $2.0 million and $7.7 million, respectively, compared to the same periods in the prior year primarily due to lower interest rates on cash and investments.

Taxes on earnings. Our effective tax rate for the three and nine month periods ended October 31, 2009 and November 1, 2008 was approximately 39%, which represents the applicable combined federal and state statutory rates reduced by the federal benefit of state taxes deductible on federal returns. The effective rate is affected by changes in law, location of new stores, level of earnings, and the result of tax positions with various taxing authorities. We anticipate that our effective tax rate for fiscal 2009 will be in the range of 38% to 39%.

Earnings per share. Diluted earnings per share for the three month period ended October 31, 2009 was $0.84 compared to $0.44 in the prior year period. The 91% increase in diluted earnings per share is attributable to an 83% increase in net earnings and a 5% reduction in weighted average diluted shares outstanding primarily due to the repurchase of common stock under our stock repurchase program. Diluted earnings per share for the nine month period ended October 31, 2009 was $2.39 compared to $1.57 in the prior year period. The 52% increase in diluted earnings per share is attributable to a 44% increase in net earnings and a 5% reduction in weighted

average diluted shares outstanding primarily due to the repurchase of common stock under our stock repurchase program.

Financial Condition

Liquidity and Capital Resources

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

	Nine Months Ended	
($000)	**October 31, 2009**	November 1, 2008
Cash flows provided by operating activities	**$ 583,882**	$ 368,833
Cash flows used in investing activities	**(103,846)**	(174,460)
Cash flows used in financing activities	**(225,229)**	(220,712)
Net increase (decrease) in cash and cash equivalents	**$ 254,807**	$ (26,339)

Operating Activities

Net cash provided by operating activities was $583.9 million for the nine month period ended October 31, 2009 compared to $368.8 million for the nine month period ended November 1, 2008. The primary source of cash provided by operating activities for the nine month periods ended October 31, 2009 and November 1, 2008 was net earnings and accounts payable plus non-cash expenses for depreciation and amortization. The increase in cash flow from operating activities for the nine month period ended October 31, 2009 primarily resulted from an increase in accounts payable leverage as a result of faster inventory turns. Accounts payable leverage (defined as accounts payable divided by merchandise inventory) was 61% as of January 31, 2009 and increased to 76% as of October 31, 2009. Accounts payable leverage was 63% as of November 1, 2008.

Our primary source of liquidity is the sale of our merchandise inventory. We regularly review the age and condition of our merchandise and are able to maintain current merchandise inventory in our stores through replenishment processes and liquidation of slower-moving merchandise through clearance markdowns.

Investing Activities

During the nine month periods ended October 31, 2009 and November 1, 2008, our capital expenditures were approximately $124.2 million and $175.5 million, respectively. Our capital expenditures included fixtures and leasehold improvements to open new stores, implement information technology systems, build or expand distribution centers, install material handling equipment and related distribution center systems, and various other expenditures related to our stores, buying, and corporate offices. We opened 56 and 77 new stores on a gross basis during the nine month periods ended October 31, 2009 and November 1, 2008, respectively.

We are forecasting approximately $165 million in capital expenditures in fiscal year 2009 for fixtures and leasehold improvements to open new Ross and dd□s DISCOUNTS stores, for the relocation or upgrade of existing stores, for investments in store and merchandising systems, buildings, equipment and systems, and for various buying and corporate office expenditures. We expect to fund these expenditures with cash flows from operations.

Financing Activities

During the nine month periods ended October 31, 2009 and November 1, 2008, our liquidity and capital requirements were provided by available cash, cash flows from operations, and trade credit. Our buying offices,

our corporate headquarters, one distribution center, one trailer parking lot, three warehouse facilities, and all but two of our store locations are leased and, except for certain leasehold improvements and equipment, do not represent capital investments. We own one distribution center in each of the following cities: Carlisle, Pennsylvania; Moreno Valley, California; and Fort Mill, South Carolina, and one warehouse facility in Fort Mill, South Carolina.

In January 2008, our Board of Directors approved a two-year $600 million stock repurchase program for fiscal 2008 and 2009. We repurchased 5.8 million shares of common stock for an aggregate purchase price of approximately $229.8 million during the nine month period ended October 31, 2009. We repurchased 7.0 million shares of common stock for approximately $231.4 million during the nine month period ended November 1, 2008.

For the nine month periods ended October 31, 2009 and November 1, 2008, dividends paid were $41.6 million and $37.2 million, respectively.

Short-term trade credit represents a significant source of financing for merchandise inventory. Trade credit arises from customary payment terms and trade practices with our vendors. We regularly review the adequacy of credit available to us from all sources and expect to be able to maintain adequate trade, bank, and other credit lines to meet our capital and liquidity requirements, including lease payment obligations in 2009.

Our $600 million credit facility remains in place with $534.8 million available as of October 31, 2009 and expires in July 2011.

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

Contractual Obligations

The table below presents our significant contractual obligations as of October 31, 2009:

($000) Contractual Obligations	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years	Total[1]
Senior notes	$ --	$ --	$ --	$ 150,000	$ 150,000
Interest payment obligations	9,667	19,335	19,335	55,029	103,366
Capital leases	385	53	--	--	438
Operating leases:					
Rent obligations	332,045	643,067	490,004	532,541	1,997,657
Synthetic leases	6,014	9,154	2,727	--	17,895
Other synthetic lease obligations	1,248	1,634	56,000	--	58,882
Purchase obligations	1,077,730	10,035	1,266	--	1,089,031
Total contractual obligations	$ 1,427,089	$ 683,278	$ 569,332	$ 737,570	$ 3,417,269

1We have a $29.6 million liability for unrecognized tax benefits that is included in other long-term liabilities on our interim condensed consolidated balance sheet. This liability is excluded from the schedule above as the timing of payments cannot be reasonably estimated.

Senior notes. We have a Note Purchase Agreement with various institutional investors for $150 million of unsecured, senior notes. The notes were issued in two series. The Series A notes totaling $85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling $65 million are due in December 2021 and bear interest at a rate of 6.53%. Interest on these notes is included in Interest payment obligations in the table above.

Borrowings under these notes are subject to certain operating and financial covenants, including maintaining certain interest coverage and other financial ratios. As of October 31, 2009, we were in compliance with these covenants.

Capital leases. The obligations under capital leases relate to distribution center equipment and have terms of two to three years.

Off-Balance Sheet Arrangements

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

We have lease arrangements for certain equipment in our stores for our point-of-sale (□POS□) hardware and software systems. These leases are accounted for as operating leases for financial reporting purposes. The initial terms of these leases are either two or three years, and we typically have options to renew the leases for two to three one-year periods. Alternatively, we may purchase or return the equipment at the end of the initial or each renewal term. We have guaranteed the value of the equipment of $2.9 million at the end of the respective initial lease terms, which is included in Other synthetic lease obligations in the table above.

We lease approximately 181,000 square feet of office space for our corporate headquarters in Pleasanton, California, under several facility leases. The terms for these leases expire between 2010 and 2014 and contain renewal provisions.

We lease approximately 197,000 and 23,000 square feet of office space for our New York City and Los Angeles buying offices, respectively. The lease terms for these facilities expire in 2021 and 2014, respectively. The lease term for the New York office contains a renewal provision.

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

We have recognized a liability and corresponding asset for the fair value of the residual value guarantee in the amount of $8.3 million for our Perris, California distribution center and $1.3 million for our POS leases. These residual value guarantees are amortized on a straight-line basis over the original terms of the leases. The current portion of the related asset and liability is recorded in prepaid expenses and accrued expenses, respectively, and the long-term portion of the related assets and liabilities is recorded in other long-term assets and other long-term liabilities, respectively, in the accompanying condensed consolidated balance sheets.

In November 2001, we entered into a nine year lease for a 239,000 square foot warehouse and in September 2009 extended the lease through October 2013. We also leased, for ten years, a 246,000 square foot warehouse, and in September 2009 extended the lease through October 2014. Both of these leases are in Carlisle, Pennsylvania. In January 2009, we exercised a three-year lease option for a 253,000 square foot warehouse in Fort Mill, South Carolina, extending the lease term to February 2013. In June 2008, we purchased a 423,000 square foot warehouse also in Fort Mill, South Carolina. All four of these properties are used to store our packaway inventory. We also lease a 10-acre parcel of land that has been developed for trailer parking adjacent to our Perris distribution center.

The synthetic lease facilities described above, as well as our revolving credit facility and senior notes, have covenant restrictions requiring us to maintain certain interest coverage and other financial ratios. In addition, the interest rates under these agreements may vary depending on actual interest coverage ratios achieved. As of October 31, 2009 we were in compliance with these covenants.

Purchase obligations. As of October 31, 2009 we had purchase obligations of $1,089.0 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to store fixtures and supplies, and information technology service and maintenance contracts. Merchandise inventory purchase orders of $1,041.6 million are purchase obligations of less than one year as of October 31, 2009.

Commercial Credit Facilities

The table below presents our significant available commercial credit facilities at October 31, 2009:

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

Revolving credit facility. We have available a $600 million revolving credit facility with our banks, which contains a $300 million sublimit for issuance of standby letters of credit, of which $234.8 million was available at October 31, 2009. This credit facility which expires in July 2011 has a LIBOR-based interest rate plus an applicable margin (currently 45 basis points) and is payable upon maturity but not less than quarterly. Our borrowing ability under this credit facility is subject to our maintaining certain financial ratios. As of October 31, 2009 we had no borrowings outstanding under this facility and were in compliance with the covenants.

Standby letters of credit. We use standby letters of credit to collateralize certain obligations related to our self-insured workers compensation and general liability claims. We had $65.2 million and $60.4 million in standby letters of credit outstanding at October 31, 2009 and November 1, 2008, respectively.

Trade letters of credit. We had $27.9 million and $21.3 million in trade letters of credit outstanding at October 31, 2009 and November 1, 2008, respectively.

Dividends. In November 2009, our Board of Directors declared a cash dividend of $.11 per common share, payable on December 31, 2009. Our Board of Directors declared quarterly cash dividends of $.11 per common share in January, May, and August 2009, and $.095 per common share in January, May, August, and November 2008.

Critical Accounting Policies

Management s Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on various other factors that management believes to be reasonable. Actual results may differ significantly from these estimates. During the third quarter of fiscal 2009, there have been no significant changes to the policies discussed in our Annual Report on Form 10-K for the year ended January 31, 2009.

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

New Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). SFAS 167 requires a qualitative approach to identifying a controlling financial interest in a variable interest entity (VIE), and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. SFAS No. 167 is effective for fiscal years beginning after November 15, 2009. We do not believe the adoption of SFAS 167 will have a material impact on our consolidated financial statements.

Forward-Looking Statements

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

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

Other risk factors are detailed in our filings with the Securities and Exchange Commission including, without limitation, our Annual Report on Form 10-K for 2008.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

We occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no material outstanding forward contracts as of October 31, 2009.

Interest that is payable on our revolving credit facility is based on variable interest rates and is, therefore, affected by changes in market interest rates. As of October 31, 2009, we had no borrowings outstanding under our revolving credit facility. In addition, lease payments under certain of our synthetic lease agreements are determined based on variable interest rates and are, therefore affected by changes in market interest rates.

In addition, we issued notes to institutional investors in two series: Series A for $85 million accrues interest at 6.38% and Series B for $65 million accrues interest at 6.53%. The amount outstanding under these notes as of October 31, 2009 is $150 million.

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

A hypothetical 100 basis point increase or decrease in prevailing market interest rates would not have materially impacted our consolidated financial position, results of operations, cash flows, or the fair values of our short- and long-term investments as of and for the three and nine month periods ended October 31, 2009. We do not consider the potential losses in future earnings and cash flows from reasonably possible, near term changes in interest rates to be material.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

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

Quarterly Evaluation of Changes in Internal Control Over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the third fiscal quarter of 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our management concluded that there was no such change during the third fiscal quarter.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Our Quarterly Report on Form 10-Q for our third fiscal quarter of 2009, and information we provide in our press releases, telephonic reports and other investor communications, including those on our corporate website, may contain forward-looking statements with respect to anticipated future events and our projected financial performance, operations and competitive position that are subject to risks and uncertainties that could cause our actual results to differ materially from those forward-looking statements and our prior expectations and projections. Refer to Management s Discussion and Analysis for a more complete identification and discussion of Forward-Looking Statements.

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

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

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

- An increase in the level of competitive pressures in the retail apparel or home-related merchandise industry.
- Potential changes in the level of consumer spending on or preferences for apparel or home-related merchandise, including the potential impact from uncertainty in financial and credit markets and the severity and duration of the current recession.
- Potential changes in geopolitical and/or general economic conditions that could affect the availability of product and/or the level of consumer spending.
- Unseasonable weather trends that could affect consumer demand for seasonal apparel and apparel-related products.

- A change in the availability, quantity, or quality of attractive brand-name merchandise at desirable discounts that could impact our ability to purchase product and continue to offer customers a wide assortment of merchandise at competitive prices.
- Potential disruptions in the supply chain that could impact our ability to deliver product to our stores in a timely and cost-effective manner.
- A change in the availability, quality, or cost of new store real estate locations.
- A downturn in the economy or a natural disaster in California or in another region where we have a concentration of stores or a distribution center. Our corporate headquarters, two distribution centers, and 26% of our stores are located in California.

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

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

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Information regarding shares of common stock we repurchased during the third quarter of 2009 is as follows:

Period	Total number of shares (or units) purchased[1]	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs ($000)[2]
August (8/2/2009-8/29/2009)	394,059	$ 45.66	383,936	$ 128,000
September (8/30/2009-10/3/2009)	708,899	$ 47.36	703,890	$ 95,000
October (10/4/2009-10/31/2009)	542,025	$ 45.69	537,652	$ 70,000
Total	1,644,983	$ 46.40	1,625,478	$ 70,000

1We acquired 19,505 shares during the quarter ended October 31, 2009 related to income tax withholdings for restricted stock. All remaining shares were repurchased under our publicly announced stock repurchase program.

2 In January 2008 our Board of Directors approved a two-year $600 million stock repurchase program for fiscal 2008 and 2009.

Item 6. Exhibits

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

SIGNATURES

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

ROSS STORES, INC.
(Registrant)

Date: December 9, 2009 By: /s/ J. Call
John G. Call
Senior Vice President, Chief Financial Officer and
Principal Accounting Officer

INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Amendment of Certificate of Incorporation dated May 21, 2004 and Amendment of Certificate of Incorporation dated June 5, 2002 and Corrected First Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores for its quarter ended July 31, 2004.
3.2	Amended By-laws, dated August 25, 1994, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
15	Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated December 8, 2009
31.1	Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
31.2	Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.