

GAP INC

FORM 10-Q (Quarterly Report)

Filed 11/30/2000 For Period Ending 10/28/2000

Address	TWO FOLSOM STREET SAN FRANCISCO, California 94105
Telephone	415-952-4400
CIK	0000039911
Industry	Retail (Apparel)
Sector	Services
Fiscal Year	01/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended October 28, 2000 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 1-7562

THE GAP, INC.

(Exact name of registrant as specified in its charter)

Delaware

94-1697231

(State of Incorporation)

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

One Harrison
San Francisco, California 94105
(Address of principal executive offices)

Registrant's telephone number, including area code: (415) 427-2000

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$0.05 par value
(Title of class)

New York Stock Exchange, Inc.
Pacific Exchange, Inc.
(Name of each exchange where registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether 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 the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Common Stock, \$0.05 par value, 849,695,146 shares as of November 25, 2000

GAP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except par value)	October 28, 2000	January 29, 2000	October 30, 1999
	-----	-----	-----
ASSETS			
Current Assets:			
Cash and equivalents	\$ 352,201	\$ 450,352	\$ 485,680
Merchandise inventory	2,567,502	1,462,045	1,825,038
Other current assets	475,605	285,393	306,567
	-----	-----	-----
Total Current Assets	3,395,308	2,197,790	2,617,285
Property and equipment, net	3,621,474	2,715,315	2,473,509
Lease rights and other assets	344,677	275,651	254,530
	-----	-----	-----
Total Assets	\$ 7,361,459	\$ 5,188,756	\$ 5,345,324
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Notes payable	\$ 1,482,356	\$ 168,961	\$ 636,534
Accounts payable	1,032,095	805,945	725,635
Accrued expenses and other current liabilities	724,804	777,973	861,409
	-----	-----	-----
Total Current Liabilities	3,239,255	1,752,879	2,223,578
Long-Term Liabilities:			
Long-term debt	1,003,542	784,925	808,937
Deferred lease credits and other liabilities	498,496	417,907	394,684
	-----	-----	-----
Total Long-Term Liabilities	1,502,038	1,202,832	1,203,621
Shareholders' Equity:			
Common stock \$.05 par value			
Authorized 2,300,000 shares			
Issued 935,383; 1,007,357			
and 1,004,527 shares,			
Outstanding 849,839, 850,499			
and 850,868 shares	46,768	50,368	50,226
Additional paid-in capital	220,924	669,490	594,740
Retained earnings	4,721,976	4,172,796	3,796,656
Accumulated other comprehensive earnings (losses)	379	(6,759)	(24,347)
Deferred compensation	(15,154)	(23,150)	(28,243)
Treasury stock, at cost	(2,354,727)	(2,629,700)	(2,470,907)
	-----	-----	-----
Total Shareholders' Equity	2,620,166	2,233,045	1,918,125
	-----	-----	-----
Total Liabilities and Shareholders' Equity	\$ 7,361,459	\$ 5,188,756	\$ 5,345,324
	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

GAP INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

(In thousands, except share and per share amounts)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 28, 2000	October 30, 1999	October 28, 2000	October 30, 1999
Net sales	\$ 3,414,668	\$ 3,045,386	\$ 9,094,372	\$ 7,776,459
Costs and expenses				
Cost of goods sold and occupancy expenses	2,157,461	1,741,098	5,596,430	4,518,798
Operating expenses	943,262	797,642	2,502,859	2,106,088
Net interest expense	20,483	10,557	41,155	18,366
Earnings before income taxes	293,462	496,089	953,928	1,133,207
Income taxes	107,114	181,072	348,184	419,991
Net earnings	\$ 186,348	\$ 315,017	\$ 605,744	\$ 713,216
Weighted average number of shares - basic	848,754,207	853,705,825	849,574,768	855,187,459
Weighted average number of shares - diluted	871,570,698	891,325,345	880,583,218	897,271,042
Earnings per share - basic	\$0.22	\$0.37	\$0.71	\$0.83
Earnings per share - diluted	\$0.21	\$0.35	\$ 0.69	\$0.79
Cash dividends per share	\$0.02	\$0.02	\$0.07/(a)/	\$0.07/(b)/

See accompanying notes to condensed consolidated financial statements.

(a) Includes a dividend of \$0.02 per share declared in January 2000 but paid in first quarter of fiscal 2000.

(b) Includes a dividend of \$0.02 per share declared in January 1999 but paid in first quarter of fiscal 1999.

GAP INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(In thousands)	Thirty-nine Weeks Ended	
	October 28, 2000	October 30, 1999
Cash Flows from Operating Activities:		
Net earnings	\$ 605,744	\$ 713,216
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	423,336	302,495
Tax benefit from exercise of stock options and vesting of restricted stock	101,140	172,696
Changes in operating assets and liabilities:		
Merchandise inventory	(1,116,677)	(765,060)
Other current assets	(207,371)	(55,836)
Accounts payable	206,857	34,633
Accrued expenses	(17,081)	76,731
Deferred lease credits and other liabilities	53,150	42,360
Net cash provided by operating activities	49,098	521,235
Cash Flows from Investing Activities:		
Net purchase of property and equipment	(1,325,612)	(865,751)
Acquisition of lease rights and other assets	(40,995)	(39,942)
Net cash used for investing activities	(1,366,607)	(905,693)
Cash Flows from Financing Activities:		
Net increase in notes payable	1,324,543	547,253
Issuance of long-term debt	250,000	311,839
Issuance of common stock	73,960	52,800
Net purchase of treasury stock	(357,176)	(560,394)
Cash dividends paid	(56,619)	(56,967)
Net cash provided by financing activities	1,234,708	294,531
Effect of exchange rate fluctuations on cash	(15,350)	10,354
Net decrease in cash and equivalents	(98,151)	(79,573)
Cash and equivalents at beginning of year	450,352	565,253
Cash and equivalents at end of quarter	\$ 352,201	\$ 485,680

See accompanying notes to condensed consolidated financial statements.

GAP INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated balance sheets as of October 28, 2000 and October 30, 1999 and the interim condensed consolidated statements of earnings for the thirteen and thirty-nine weeks ended October 28, 2000 and October 30, 1999 and cash flows for the thirty-nine week periods ended October 28, 2000 and October 30, 1999 have been prepared by the Company, without audit. In the opinion of management, such statements include all adjustments (which include only normal recurring adjustments) considered necessary to present fairly the financial position, results of operations and cash flows of the Company at October 28, 2000 and October 30, 1999, and for all periods presented.

Certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted from these interim financial statements. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 29, 2000.

The condensed consolidated balance sheet as of January 29, 2000 was derived from the Company's January 29, 2000 balance sheet included in the Company's 1999 Annual Report on Form 10-K.

The results of operations for the thirty-nine weeks ended October 28, 2000 are not necessarily indicative of the operating results that may be expected for the year ending February 3, 2001.

Certain reclassifications have been made to the 1999 financial statements to conform with the 2000 presentation.

2. COMPREHENSIVE EARNINGS

Comprehensive earnings include net earnings and other comprehensive earnings (losses). Other comprehensive earnings (losses) include foreign currency translation adjustments and fluctuations in the fair market value of certain financial instruments. Comprehensive earnings for the thirteen and thirty-nine weeks ended October 28, 2000 and October 30, 1999 were as follows (in thousands):

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 28, 2000	October 30, 1999	October 28, 2000	October 30, 1999
Net earnings	\$186,348	\$315,017	\$605,744	\$713,216
Other comprehensive (losses) earnings	(9,624)	(3,460)	7,138	(11,829)
Comprehensive earnings	\$176,724	\$311,557	\$612,882	\$701,387

3. EARNINGS PER SHARE

Basic earnings per share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share includes the dilutive effect of the Company's potentially dilutive securities, which include certain stock options, unvested shares of restricted stock, and certain put options. The following summarizes the incremental shares from these potentially dilutive securities, calculated using the treasury stock method.

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 28, 2000	October 30, 1999	October 28, 2000	October 30, 1999
Weighted-average number of shares - basic	848,754,207	853,705,825	849,574,768	855,187,459
Incremental shares resulting from:				
Stock options	22,399,787	36,650,564	30,443,522	40,393,299
Restricted stock	402,175	809,735	564,928	1,646,136
Put options	14,529	159,221	-	44,148
Weighted-average number of shares - diluted	871,570,698	891,325,345	880,583,218	897,271,042

Excluded from the above computations of weighted-average shares for diluted earnings per share were options to purchase 27,666,897 and 18,593,628 shares of common stock during the thirteen and thirty-nine weeks ended October 28, 2000, respectively, and 10,276,234 and 6,613,448 shares during the thirteen and thirty-nine weeks ended October 30, 1999, respectively. Additionally, put options to repurchase 800,000 shares during the thirty-nine weeks ended October 28, 2000 were excluded from the above computations. Issuance or repurchase of these securities would have resulted in an antidilutive effect on earnings per share.

4. PUT OPTIONS

During the third quarter of 2000, the Company repurchased 375,000 shares under a put option contract for approximately \$12 million.

At the end of the third quarter of 2000, the Company was obligated under a put option contract to repurchase 400,000 shares of the Company's stock. The contract has an exercise price \$25.53 per share, with an expiration date of February 2001.

5. TREASURY SHARES RETIREMENT

During the first quarter of 2000, the Company retired approximately 81 million treasury shares with a cost basis of approximately \$642 million. This retirement did not affect results of operations.

6. LONG-TERM DEBT

During the second quarter of 2000, the Company issued \$250 million of debt securities at a rate per annum, reset quarterly, equal to three-month LIBOR plus 0.125%, due November 15, 2001.

7. NEW ACCOUNTING PRONOUNCEMENTS

Emerging Issues Task Force (EITF) Issue 00-10, Accounting for Shipping and Handling Fees and Costs, requires that all amounts billed to a customer in a sale transaction related to shipping and handling, if any, should be classified as revenue. Also, the classification of shipping and handling costs is an accounting policy decision that should be disclosed. Currently, the Company classifies shipping and handling revenues and costs as operating expenses. This consensus must be adopted no later than the fourth quarter of 2000. The Company does not expect this consensus to have a material impact on its consolidated financial statements.

Deloitte & Touche LLP
50 Fremont Street
San Francisco, California 94105-2230

Tel: (415) 783 4000
Fax: (415) 783 4329
www.us.deloitte.com
Deloitte & Touche

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of The Gap, Inc.:

We have reviewed the accompanying condensed consolidated balance sheets of The Gap, Inc. and subsidiaries as of October 28, 2000 and October 30, 1999 and the related condensed consolidated statements of earnings for the thirteen and thirty-nine week periods ended October 28, 2000 and October 30, 1999 and condensed consolidated statements of cash flows for the thirty-nine week periods ended October 28, 2000 and October 30, 1999. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, 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 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 auditing standards generally accepted in the United States of America, the consolidated balance sheet of The Gap, Inc. and subsidiaries as of January 29, 2000, and the related consolidated statements of earnings, shareholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 23, 2000, 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 29, 2000 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it was derived.

/s/ Deloitte & Touche LLP

*San Francisco, California
November 8, 2000*

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The information below contains certain forward-looking statements which reflect the current view of Gap Inc. (the "Company") with respect to future events and financial performance. Wherever used, the words "expect," "plan," "anticipate," "believe," and similar expressions identify forward-looking statements.

Any such forward-looking statements are subject to risks and uncertainties and the Company's actual results of operations could differ materially from historical results or current expectations. Some of these risks include, without limitation, ongoing competitive pressures in the apparel industry, risks associated with challenging international retail environments, changes in the level of consumer spending or preferences in apparel, trade restrictions and political or financial instability in countries where the Company's goods are manufactured, and/or other factors that may be described in the Company's Annual Report on Form 10-K and/or other filings with the Securities and Exchange Commission. Future economic and industry trends that could potentially impact revenues and profitability are difficult to predict.

It is suggested that this document be read in conjunction with the Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the year ended January 29, 2000.

The Company assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

RESULTS OF OPERATIONS

Net Sales	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 28, 2000	October 30, 1999	October 28, 2000	October 30, 1999
Net sales (\$000)	\$3,414,668	\$3,045,386	\$9,094,372	\$7,776,459
Total net sales growth percentage	12	27	17	29
Comparable store sales (decrease) increase percentage	(8)	5	(4)	8
Net sales per average square foot	\$118	\$141	\$339	\$382
Square footage of gross store space - at end of period (000)			29,978	22,721
Number of Stores:				
Beginning of Year			3,018	2,466
New stores			564	424
Expanded stores/(1)/			143	76
Closed stores			40	11
End of Period			3,542	2,879

(1) Expanded stores do not change store count.

Store count and square footage at quarter end for 2000 and 1999 were as follows:

	October 28, 2000		October 30, 1999	
	Number of Stores	Sq. Ft. (millions)	Number of Stores	Sq. Ft. (millions)
Gap Domestic	2,002	11.5	1,688	9.9
Gap International	503	2.8	367	1.9
Banana Republic	389	3.1	329	2.4
Old Navy	648	12.6	495	8.5
Total	3,542	30.0	2,879	22.7
Increase	23%	32%	21%	27%

The increases in net sales for the third quarter and year-to-date 2000 over the same periods last year were attributable to the increase in retail selling space, both through the opening of new stores (net of stores closed) and the expansion of existing stores.

The Company's third quarter comparable store sales by division were as follows:

Gap Domestic had a negative low-single digit versus a negative low-single digit last year, Gap International had a negative low-single digit versus a positive high-single digit last year, Banana Republic had a negative low-single digit versus a positive high-single digit last year, Old Navy had negative high-teens versus positive low-double digits last year.

The Company's year-to-date comparable store sales by division were as follows:

Gap Domestic had a negative low-single digit versus a flat comp last year, Gap International had a positive low-single digit versus positive mid-teens last year, Banana Republic had a flat comp versus positive low-teens last year, Old Navy had a negative low-double digit versus positive high-teens last year.

The decreases in net sales per average square foot for the third quarter and year-to-date 2000 were primarily attributable to the decreases in comparable store sales and the growing impact of the Old Navy division. Old Navy division's lower-priced merchandise and significantly larger stores result in lower net sales per average square foot when compared to other divisions.

Cost of Goods Sold and Occupancy Expenses

Cost of goods sold and occupancy expenses as a percentage of net sales increased 6.0 and 3.4 percentage points in the third quarter and year-to-date 2000, respectively, from the same periods in 1999.

For both the third quarter and year-to-date 2000, the decreases in merchandise margin as a percentage of net sales were primarily attributable to a greater percentage of merchandise sold at markdown and lower margins from marked-down goods when compared to the same periods last year. The increases in occupancy expenses as a percentage of net sales for the third quarter and year-to-date 2000 were primarily attributable to the decreases in net sales per average square foot.

Operating Expenses

Operating expenses as a percentage of net sales increased 1.4 and 0.4 percentage points in the third quarter and year-to-date 2000, respectively, from the same periods in 1999. The increases were primarily attributable to the decreases in comparable store sales, higher store payroll as a percentage of net sales offset by lower advertising costs as a percentage of net sales.

Net Interest Expense

The increases in net interest expense in the third quarter and year-to-date 2000 as compared to the same periods in 1999 were primarily due to increased interest costs from an increase in average borrowings partially offset by additional interest capitalized during the third quarter and year-to-date 2000.

Income Taxes

The effective tax rate was 36.5 percent for the third quarter and year-to-date 2000, and 36.5 and 37.1 percent for the third quarter and year-to-date 1999, respectively. The decrease in the tax rate resulted from the Company's implementation of global tax planning initiatives based on long-term business needs.

LIQUIDITY AND CAPITAL RESOURCES

The following sets forth certain measures of the Company's liquidity:

	Thirty-nine Weeks Ended	
	October 28, 2000	October 30, 1999
Cash provided by operating activities (\$000)	\$49,098	\$521,235
Working capital (\$000)	\$156,053	\$393,707
Current ratio	1.05:1	1.18:1

For the thirty-nine weeks ended October 28, 2000, the decrease in cash flows provided by operating activities, compared to the same period in the prior year, was primarily attributable to an increase in merchandise inventory, a decrease in tax benefit from the exercise of stock options and vesting of restricted stock and changes in other operating assets and liabilities which were primarily driven by timing of certain payments.

The Company funds inventory expenditures during normal and peak periods through a combination of cash flows provided by operations and short-term financing arrangements. The Company's business follows a seasonal pattern, peaking over a total of about 13 weeks during the Back-to-School and Holiday periods.

The Company has committed credit facilities totaling \$1.35 billion, consisting of an \$1.20 billion, 364-day revolving credit facility, and a \$150 million, 5-year revolving credit facility through June 27, 2005. These credit facilities provide for the issuance of up to \$600 million in letters of credit and provide backup for the Company's \$750 million commercial paper program. The Company has additional uncommitted credit facilities of \$845 million for the issuance of letters of credit. At October 28, 2000, the Company had outstanding letters of credit totaling approximately \$1.03 billion. The Company had \$750 million of commercial paper and \$35 million in Extendable Commercial Notes outstanding at October 28, 2000.

During the second quarter of 2000, the Company issued \$250 million of debt securities at a rate per annum, reset quarterly, equal to three-month LIBOR plus 0.125%, due November 15, 2001.

For the thirty-nine weeks ended October 28, 2000, capital expenditures, net of construction allowances and dispositions, totaled approximately \$1.28 billion. The majority of these expenditures were used for expansion of the store base, headquarter and distribution facilities. For year-to-date 2000, the Company experienced a net increase in store space of approximately 6 million square feet, or 25 percent, due to a net addition of 524 stores, the expansion of 143 stores and the remodeling of certain stores.

For 2000, the Company expects capital expenditures to be approximately \$1.8 billion, net of construction allowances. This represents the addition of 640 to 700 new stores, the expansion of approximately 200 stores, the remodeling of certain stores, as well as amounts for headquarters facilities, distribution centers and equipment and information technology. The Company expects to fund such capital expenditures with cash flow from operations and other sources of financing. Square footage growth is expected to be approximately 30 percent. New stores are generally expected to be leased.

The Company's store growth plans for fiscal 2000 and fiscal 2001 are as follows:

	Fiscal 2000		Fiscal 2001	
	Store Growth	Sq. Ft. Range	Store Growth	Sq. Ft. Range
Gap Domestic	320-340	16-18%	270-290	11-14%
Gap International	130-140	38-41%	100-120	20-25%
Banana Republic	40-60	22-26%	40-60	13-17%
Old Navy	150-160	40-45%	140-160	23-27%
Total	640-700	Approx. 30%	550-630	17-20%

During 1998, the Company purchased land on which to construct additional headquarter facilities in San Francisco and San Bruno, California. The estimated total project costs are approximately \$240 million and \$100 million, respectively. Construction commenced on the San Francisco facility during the third quarter of 1998 and is estimated to continue through early 2001. Construction commenced during the first quarter of 1999 on the San Bruno facility and has recently been completed.

The Company commenced construction on several distribution facilities in the second quarter and the third quarter of 2000. The estimated total cost for these facilities is approximately \$455 million. The majority of the expenditures will be incurred during 2000. The facilities are expected to be open in the third quarter of 2001.

The Company took possession of a distribution site and building in Ontario, Canada during the first quarter of 2000 to support the initial international expansion plans for the Old Navy business. The Company will spend the next year remodeling the facility prior to its anticipated opening date in mid-2001. The estimated total project cost is approximately \$89 million.

In the first nine months of 2000, under the 67.5 million share repurchase program approved in October 1998, the Company acquired approximately 10.4 million shares for approximately \$377 million, including 0.8 million shares acquired under put option contracts for approximately \$26 million.

At the end of the third quarter of 2000, the Company was obligated under a put option contract to repurchase 400,000 shares of the Company's stock. The contract has an exercise price \$25.53 per share, with an expiration date of February 2001.

Emerging Issues Task Force (EITF) Issue 00-10, Accounting for Shipping and Handling Fees and Costs, requires that all amounts billed to a customer in a sale transaction related to shipping and handling, if any, should be classified as revenue. Also, the classification of shipping and handling costs is an accounting policy decision that should be disclosed. Currently, the Company classifies shipping and handling revenues and costs as operating expenses. This consensus must be adopted no later than the fourth quarter of 2000. The Company does not expect this consensus to have a material impact on its consolidated financial statements.

The Company operates in foreign countries which exposes it to market risk associated with foreign currency exchange rate fluctuations. The Company's risk management policy is to hedge substantially all merchandise purchases for foreign operations through the use of foreign exchange forward contracts to minimize this risk.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The market risk of the Company's financial instruments as of October 28, 2000 has not significantly changed since January 29, 2000.

The market risk profile of the Company on January 29, 2000 is disclosed in the Company's 1999 Annual Report on Form 10-K.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

The Company has been named as a defendant in two lawsuits relating to sourcing of products from Saipan (Commonwealth of the Northern Mariana Islands). A complaint was filed on January 13, 1999 in California Superior Court in San Francisco by the Union of Needletrades Industrial and Textile Employees, AFL-CIO; Global Exchange; Sweatshop Watch; and Asian Law Caucus against the Company and 17 other parties. The plaintiffs allege violations of California's unlawful, fraudulent and unfair business practices and untrue and misleading advertising statutes in connection with labeling of product and labor practices regarding workers of factories that make product for the Company in Saipan. The plaintiffs seek injunctive relief, restitution, disgorgement of profits and other damages. Trial has not been set in the state case.

A second complaint was filed on January 13, 1999 in Federal District Court, Central District of California, by various unidentified worker plaintiffs against the Company and 25 other parties. Those unidentified worker plaintiffs seek class-action status and allege, among other things, that the Company (and other defendants) violated the Racketeer Influenced and Corrupt Organizations Act in connection with the labor practices and treatment of workers of factories in Saipan that make product for the Company. The plaintiffs seek injunctive relief as well as actual and punitive damages. On September 29, 1999 the action was transferred to the United States District Court, State of Hawaii. On April 28, 2000, plaintiffs filed a First Amended Complaint adding 22 new defendants. On June 23, 2000, the United States District Court, State of Hawaii, ordered the case transferred to the United States District Court, District of the Mariana Islands. Transfer of the case has been stayed pending writ review of the transfer order in the United States Ninth Circuit. Upon resolution, defendants intend to renew a motion in United States District Court, Central District of California, to dismiss the case.

The Company is in the process of investigating the allegations set forth in the complaints and will pursue appropriate legal defenses. At this time the Company is unable to assess the likelihood of the outcome of these cases and cannot estimate the amount or range of potential loss, if any.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

(15) Letter re: Unaudited Interim Financial Information

(27) Financial Data Schedule

b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the three months ended October 28, 2000.

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.

THE GAP, INC.

Date: November 30, 2000

By /s/ Heidi Kunz

*Heidi Kunz
Chief Financial Officer
(Principal financial officer
of the registrant)*

Date: November 30, 2000

By /s/ Millard S. Drexler

*Millard S. Drexler
President and Chief Executive
Officer*

EXHIBIT INDEX

(15) Letter re: Unaudited Interim Financial Information

(27) Financial Data Schedule

EXHIBIT 15

Deloitte & Touche LLP
50 Fremont Street
San Francisco, California 94105-2230

Tel: (415) 783 4000
Fax: (415) 783 4329
www.us.deloitte.com
Deloitte & Touche

To the Board of Directors and Stockholders of The Gap, Inc.:

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of The Gap, Inc. and subsidiaries for the periods ended October 28, 2000 and October 30, 1999, as indicated in our report dated November 8, 2000; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended October 28, 2000, is incorporated by reference in the following Registration Statements on Form S-8:
No. 2-72586, No. 2-60029, No. 33-39089, No. 33-40505, No. 33-54686, No. 33- 54688, No. 33-54690, No. 33-56021, No. 333-00417, No. 333-12337, No. 333-36265, No. 333-68285, No. 333-72921, No. 333-76523, No. 333-47508 and Registration Statement No. 333-70991 on Form S-3.

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

/s/ Deloitte & Touche LLP

*San Francisco, California
November 29, 2000*

ARTICLE 5

The schedule contains summary information extracted from the Condensed Consolidated Financial Statements and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE	9 MOS
FISCAL YEAR END	FEB 03 2001
PERIOD END	OCT 28 2000
CASH	352,201,000
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	2,567,502,000
CURRENT ASSETS	3,395,308,000
PP&E	5,402,668,000
DEPRECIATION	1,781,194,000
TOTAL ASSETS	7,361,459,000
CURRENT LIABILITIES	3,239,255,000
BONDS	1,003,542,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	46,768,000
OTHER SE	2,573,398,000
TOTAL LIABILITY AND EQUITY	7,361,459,000
SALES	9,094,372,000
TOTAL REVENUES	9,094,372,000
CGS	5,596,430,000
TOTAL COSTS	5,596,430,000
OTHER EXPENSES	2,502,859,000
LOSS PROVISION	0
INTEREST EXPENSE	41,155,000
INCOME PRETAX	953,928,000
INCOME TAX	348,184,000
INCOME CONTINUING	605,744,000
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	605,744,000
EPS BASIC	0.71
EPS DILUTED	0.69

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.