SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-29**
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FILER

GAP INC

CIK:**39911**| IRS No.: **941697231** | State of Incorp.:**DE** | Fiscal Year End: **0131**
Type: **10-Q** | Act: **34** | File No.: **001-07562** | Film No.: **95546720**
SIC: **5651** Family clothing stores

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SAN FRANCISCO CA 94105

Business Address
ONE HARRISON
SAN FRANCISCO CA 94105
4159524400

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 April 29, 1995 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) 952-4400

____

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

Common Stock, $0.05 par value	New York Stock Exchange, Inc.
(Title of class)	Pacific Stock 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, 144,057,151 shares as of June 9, 1995

<TABLE>
<CAPTION>
PART 1 THE
GAP, INC. AND SUBSIDIARIES
ITEM 1
CONSOLIDATED BALANCE SHEETS

<S>	<C>	<C>	<C>
($000)	April 29, 1995 (Unaudited)	January 28, 1995 (See Note 1)	April 30, 1994 (Unaudited)
ASSETS			
Current Assets:			
Cash and equivalents	$ 298,218	$ 414,487	$ 323,139
Short-term investments	157,498	173,543	176,393
Merchandise inventory	408,952	370,638	346,544
Prepaid expenses and other	113,894	97,019	96,829
Total Current Assets	978,562	1,055,687	942,905
Property and equipment (net)	852,824	828,777	749,368
Long-term investments	16,949	32,097	19,944
Lease rights and other assets	86,393	87,683	68,415
Total Assets	$ 1,934,728	$ 2,004,244	$ 1,780,632
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Current maturities of long-term debt	$ -	$ -	$ 75,000
Notes payable	-	2,478	4,516
Accounts payable	233,194	263,724	214,289
Accrued expenses	153,142	185,375	145,786

Income taxes payable	30,786	41,156	39,757
Deferred lease credits and other current liabilities	5,707	7,127	4,432
Total Current Liabilities	422,829	499,860	483,780
Long-term Liabilities:			
Deferred lease credits and other liabilities	127,753	129,152	103,976
	127,753	129,152	103,976
Stockholders' Equity:			
Common stock $.05 par value Authorized 500,000,000 shares Issued 157,393,211, 156,972,777 and 156,450,680 shares Outstanding 143,916,883, 144,764,749 and 145,716,152 shares	7,871	7,849	7,823
Additional paid-in capital	320,656	298,413	278,919
Retained earnings	1,315,707	1,282,301	1,076,279
Foreign currency translation adjustment	(6,612)	(8,320)	(8,975)
Restricted stock plan deferred compensation	(60,753)	(54,265)	(58,684)
Treasury stock, at cost	(192,723)	(150,746)	(102,486)
	1,384,146	1,375,232	1,192,876
Total Liabilities and Stockholders' Equity	$ 1,934,728	$ 2,004,244	$ 1,780,632

See accompanying notes to consolidated financial statements.
</TABLE>

THE GAP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited ($000 except per share amounts)	Thirteen Weeks Ended April 29, 1995	April 30, 1994
Net Sales	$ 848,688	$ 751,670
Costs and expenses		
Cost of goods sold and occupancy expenses	568,131	462,087
Operating expenses	202,575	185,724
Net interest income	(4,849)	(1,063)
Earnings before income taxes	82,831	104,922
Income taxes	32,718	41,444
Net earnings	$ 50,113	$ 63,478
Weighted average number of shares	143,872,100	145,361,013
Earnings per share	$ .35	$ .44
Cash dividends per share	$ .12	$ .10

See accompanying notes to consolidated financial statements.

<TABLE>
<CAPTION>

THE GAP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<S>	<C>	<C>
Unaudited ($000)	Thirteen Weeks Ended April 29, 1995	April 30, 1994
Cash Flows from Operating Activities:		
Net earnings	$ 50,113	$ 63,478
Adjustments to reconcile net earnings to net cash (used for) provided by operating activities:		
Depreciation and amortization	45,429	39,020
Tax benefit from exercise of stock options by		

employees and from vesting of restricted stock	6,765	13,670
Change in operating assets and liabilities:		
Merchandise inventory	(37,370)	(15,886)
Prepaid expenses and other	(17,132)	(16,763)
Accounts payable	(31,204)	(1,987)
Accrued expenses	(32,400)	(17,498)
Income taxes payable	(10,606)	(30,436)
Deferred lease credits and other long-term liabilities	(3,339)	5,285
Net cash (used for) provided by operating activities	(29,744)	38,883
Cash Flows from Investing Activities:		
Maturity (purchase) of short-term investments - net	31,193	(92,896)
Purchase of long-term investments	-	(19,944)
Purchases of property and equipment	(60,693)	(43,585)
Acquisition of lease rights and other assets	1,012	(1,760)
Net cash used for investing activities	(28,488)	(158,185)
Cash Flows from Financing Activities:		
Net decrease in notes payable	(3,517)	(2,979)
Issuance of common stock	3,452	9,407
Purchase of treasury stock	(41,977)	(10,032)
Cash dividends paid	(16,707)	(14,035)
Net cash used for financing activities	(58,749)	(17,639)
Effect of exchange rate changes on cash	712	(252)
Net decrease in cash and equivalents	(116,269)	(137,193)
Cash and equivalents at beginning of year	414,487	460,332
Cash and equivalents at end of quarter	$ 298,218	$ 323,139

See accompanying notes to consolidated financial statements.
</TABLE>

THE GAP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1.BASIS OF PRESENTATION

The consolidated balance sheets as of April 29, 1995 and April 30, 1994, and the interim consolidated statements of earnings and of cash flows for the thirteen weeks ended April 29, 1995 and April 30, 1994 have been prepared by the Company, without audit. In the opinion of management, 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 April 29, 1995 and April 30, 1994, and for all periods presented, have been made.

Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles 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 28, 1995.

The results of operations for the thirteen weeks ended April 29, 1995 are not necessarily indicative of the operating results that may be expected for the year ending February 3, 1996.

2. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Year-to-date 1995 and 1994 gross interest payments were $0.5 million and $2.1 million respectively; income tax payments were $36.4 million and $58.3 million respectively.

Deloitte & Touche LLP
2101 Webster Street Telephone (510)287-2700
Oakland, Califonria 94612-3027 Facsimile (510)835-4888

INDEPENDENT ACCOUNTANT'S REPORT

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

We have reviewed the accompanying consolidated balance sheets of The Gap, Inc. and subsidiaries as of April 29, 1995 and April 30, 1994 and the related consolidated statements of earnings and cash flows for the thirteen-week periods ended April 29, 1995 and April 30, 1994. These financial statements are the responsibility of the Company's management.

We conducted our review 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 generally accepted auditing standards, 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 interim consolidated financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of The Gap, Inc. and subsidiaries as of January 28, 1995, and the related consolidated statements of earnings, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated March 2, 1995, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheets as of January 28, 1995 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it was derived.

/s/ Deloitte & Touche LLP

May 9, 1995

Item 2

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

RESULTS OF OPERATIONS

Net Sales

	Thirteen weeks ended April 29, 1995	Thirteen weeks ended April 30, 1994
Net sales ($000)	$848,688	$751,670
Total net sales growth percentage	13	17
Comparable store sales (decline)/growth percentage	<2>	7
Net sales per average square foot	90	97

	Fifty-two weeks ended April 29, 1995	Fifty-two weeks ended April 30, 1994
Number of:		
New Stores	176	131
Expanded Stores	77	120
Closed Stores	39	52

The increase in first quarter 1995 net sales was attributable to the opening of new stores (net of stores closed) and the expansion of existing stores, partially offset by a decrease in comparable store sales. The decrease in comparable store sales was primarily attributable to negative comparable store sales in the Gap division.

The decrease in first quarter net sales per average square foot compared with the same period last year was primarily attributable to the expansion of existing stores and an increase in the average size of new stores in connection with the Company's store expansion program. In addition, negative comparable store sales as well as continued store growth in the Old Navy division, with lower priced merchandise and significantly larger stores, contributed to the decline.

The Company expects that the challenging retail sales environment which was experienced during the first quarter of 1995 will continue into the second quarter. For the four week period ended May 27, 1995, net sales increased 14 percent over the same period last year, as compared to an 11 percent increase in net sales for the four week period ended May 28, 1994 over the prior year. Comparable store sales decreased 2 percent for the four weeks ended May 27, 1995 as compared with a 1 percent increase in May 1994.

Cost of Goods Sold and Occupancy Expenses

Cost of goods sold and occupancy expenses as a percentage of net sales increased to 66.9 percent for the first quarter of 1995 from 61.4 percent for the same period in 1994. The resulting 5.5 percentage point decrease in gross margin net of occupancy expenses was attributable to a 4.7 percentage point decrease in merchandise margins as a percentage of net sales and a .8 percentage point increase in occupancy expenses as a percentage of net sales.

The decrease in merchandise margins as a percentage of net sales was driven by a decline in initial merchandise margins and an increase in markdowns when compared to the same period last year. The Company reviews its inventory levels in order to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes) and uses markdowns to clear merchandise. During the first quarter, these markdowns did have an adverse impact on earnings and may do so in future quarters, depending upon the extent of the markdowns and amount of inventory affected.

The Company expects overall merchandise margins to be lower in the second quarter of 1995 than the very high levels achieved in the second quarter of 1994.

Occupancy expenses as a percentage of net sales increased for the first quarter of 1995 when compared to the same period in 1994. The increase was primarily attributable to a lack of sales leverage resulting from negative comparable store sales.

Operating Expenses

Operating expenses as a percentage of net sales decreased to 23.9 percent for the first quarter of 1995 compared to 24.7 percent for the same period last year.

The .8 percentage point decrease in operating expenses was primarily attributable to a .6 percentage point decrease in incentive bonus expense as a percentage of net sales and a .4 percentage point decrease for insurance recoveries for business interruption losses. Without these favorable comparisons, operating expenses would have been unchanged as a percentage of net sales in the first quarter of 1995 compared to the same period last year.

Incentive bonus expense is accrued quarterly based on year-to-date performance against established targets. Due to lower than planned earnings, no incentive bonus expense was recognized in the first quarter of 1995.

Net Interest Income

Net interest income was approximately $5.0 million for the first quarter of 1995 compared to $1.1 million for the same period last year. The change was attributable to an increase in income from higher average interest rates and a reduction in interest expense resulting from the repayment of $75 million of long-term debt in the second quarter of 1994.

Income Taxes

The effective income tax rate was 39.5 percent for the thirteen weeks ended April 29, 1995 and April 28, 1994.

LIQUIDITY AND CAPITAL RESOURCES

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

	Thirteen weeks ended	
	April 29, 1995	April 30, 1994
Cash (used for) provided by operating		

activities ($000)	$ (29,744)	$ 38,883
Working capital ($000)	$ 555,733	$ 459,125
Current ratio	2.31:1	1.95:1

For the thirteen weeks ended April 29, 1995, the decrease in cash flows from operating activities was attributable to an increased investment in inventory to support the Company's expansion of its Old Navy and International divisions, the timing of payment of certain year-end payables, and the decrease in net earnings. The Company's overall cash and liquidity position continues to be strong.

The Company funds inventory expenditures during normal and peak periods through a combination of cash flows provided by operations and normal trade credit arrangements. The Company's business follows a seasonal pattern, peaking over a total of about ten weeks during the late summer and holiday periods.

For the thirteen weeks ended April 29, 1995, capital expenditures, net of construction allowances and dispositions, totaled approximately $56 million. These expenditures included the addition of 40 new stores, the expansion of 14 stores and the remodeling of certain stores resulting in a net increase in store space of approximately 330,000 square feet or 4 percent since January 28, 1995.

For fiscal year 1995, the Company expects capital expenditures to total approximately $275 to $300 million, net of construction allowances, representing the addition of approximately 175 to 200 new stores, the expansion of approximately 50 to 70 stores, and the remodeling of certain stores. Square footage growth is expected to be approximately 20 percent after accounting for store closings. New stores are generally expected to be leased. Planned expenditures also include amounts for administrative facilities, distribution centers and equipment. The Company expects to fund such capital expenditures with cash flow from operations.

The Company continues to explore alternatives for headquarters facilities in San Francisco and San Bruno, California. The Company has acquired land in Gallatin, Tennessee for the purpose of constructing a distribution center at an estimated total cost of $45 to $55 million. The Company expects the facility to be in operation in late 1996.

The Company has a credit agreement which provides for a $250 million revolving credit facility until March 1998. In addition, the credit agreement provides for the issuance of letters of credit up to $425 million at any one time.

The Company had outstanding letters of credit of approximately $323 million at April 29, 1995.

Under a program announced in October 1994 to repurchase up to 9 million shares of the Company's outstanding common stock, the Company acquired 1,268,300 shares during the first quarter of 1995 for $41,978,000. Included in this transaction was the purchase of 250,000 shares from a senior executive of the Company for $8,438,000. To date, 2,741,800 shares have been repurchased for $90,238,000.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

(10) Fifth Amendment to Credit Agreement, dated as of February 15, 1995

(11) Computation of Earnings per Share

(15) Letter re: Unaudited Interim Financial Information

(27) Financial Data Schedule

b) The Company did not file any reports on Form 8-K during the three months ended April 29, 1995.

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: June 9, 1995

By /s/ Robert J. Fisher
Robert J. Fisher
Executive Vice President and
Chief Financial Officer
(Principal financial officer of the registrant)

Date: June 9, 1995

By /s/ Donald G. Fisher
Donald G. Fisher
Chairman and Chief Executive Officer

EXHIBIT INDEX

(10) Fifth Amendment to Credit Agreement, dated as of February 15, 1995

(11) Computation of Earnings per Share

(15) Letter re: Unaudited Interim Financial Information

(27) Financial Data Schedule

FIFTH AMENDMENT AGREEMENT

Fifth Amendment Agreement, dated as of February 15, 1995 (this "Fifth Amendment Agreement"), among The Gap, Inc., a Delaware corporation (the "Borrower"), the LC Subsidiaries (as defined in the Credit Agreement referred to below) signatory hereto, the lenders (the "Lenders") listed on the signature pages hereof and Citibank, N.A., ("Citibank"), as issuing bank (the "Issuing Bank") and, after giving effect to Section 8 hereof, Citicorp USA Inc. ("CUSA"), as agent (the "Agent") for the Issuing Bank and the Lenders.

PRELIMINARY STATEMENTS:

1. The Borrower, the LC Subsidiaries, the Lenders, the Issuing Bank and Citibank,as agent have entered into a Credit Agreement, dated as of March 2, 1990, as amended by the First Amendment Agreement, dated as of March 1, 1991 (the "First Amendment Agreement"), as amended by the Second Amendment Agreement, dated as of September 16, 1992 (the "Second Amendment Agreement"), as amended by the Third Amendment Agreement, dated as of January 22, 1993 (the "Third Amendment Agreement"), and as amended by the Fourth Amendment Agreement, dated as of February 4, 1994 (the "Fourth Amendment Agreement") (such credit agreement, as so amended and as it may be further amended and in effect from time to time, being referred to herein as the "Credit Agreement"; terms defined therein and not otherwise defined herein being used herein as therein defined).

2. Pursuant to Section 2.14 of the Credit Agreement, the Borrower has requested that the A Lenders and the Agent extend the Revolver Termination Date to March 2, 1998. The Borrower has also requested that the Letter of Credit facility provided for in Article III of the Credit Agreement be converted into a 364-day facility with an annual renewal option. In addition, the Borrower has requested an increase in the LC Commitments and the reduction of certain fees.

3. The Borrower, the LC Subsidiaries, the Lenders, the Issuing Bank and the Agent wish to amend the Credit Agreement, among other things, to (i) memorialize the extension of the Revolver Termination Date to March 2, 1998, (ii) convert the Letter of Credit facility provided for in Article III of the Credit Agreement into a 364-day facility with an annual renewal option, (iii) increase the aggregate amount of LC Commitments from $350,000,000 to $425,000,000 and (iv) decrease the facility fee payable under Section 3.01 with respect to the LC Commitments.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendment to Credit Agreement. The Credit Agreement is, effective as of March 2, 1995 and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, hereby amended as follows:

(a) The second sentence of the Preliminary Statement of the Credit Agreement is hereby amended by deleting the dollar amount "$350,000,000" appearing therein and inserting in its place the dollar amount "$425,000,000".

(b) The definition of "LC Commitment" appearing in Section 1.01 of the Credit Agreement is hereby amended in full to read as follows:

> ""LC Commitment" means, as to any LC Lender, the amount set forth opposite such LC Lender's name on the signature pages of the Fifth Amendment Agreement, dated as of February 15, 1995, among the Borrower, the LC Subsidiaries, the Lenders parties thereto, the Issuing Bank and the Agent with respect to the caption "LC Commitment", or, if such LC Lender has entered into one or more Assignment and Acceptances, the amount set forth for such LC Lender with respect thereto in the Register maintained by the Agent pursuant to Section 10.07 hereof."

(c) The definition of "LC Commitment Percentage" appearing in Section 1.01 of the Credit Agreement is hereby amended in full to read as follows:

> ""LC Commitment Percentage" means, with respect to each LC Lender, the percentage of which the then existing LC Commitment of such LC Lender is of the LC Commitments of all LC Lenders; provided, however; that with respect to Letters of Credit which expire after the LC Termination Date has occurred, the LC Commitment Percentage of each LC Lender shall be the percentage of which such LC Lender's LC Commitment immediately prior to the LC Termination Date is of the LC Commitment of all LC Lenders immediately prior to the LC Termination Date."

(d) The definition of "LC Termination Date" appearing in Section 1.01 of the Credit Agreement is hereby amended in full to read as follows:

> ""LC Termination Date" means, subject to Section 3.11 hereof, March 1, 1996, or the earlier date of termination in whole of the LC Commitments pursuant to Section 3.09 or Section 8.01."

(e) The definition of "Revolver Termination Date" appearing in Section 1.01 of the Credit Agreement is hereby amended by deleting the reference to "March 2, 1997 and replacing it with March 2, 1998".

(f) Section 2.14 of the Credit Agreement is hereby amended to read in full as follows:

"SECTION 2.14. Extension of Revolver Termination Date. At least 45 but not more than 60 days prior to the next Anniversary Date, the Borrower, by written notice to the Agent, may request that the Revolver Termination Date be extended one calendar year from its then current scheduled expiration. The Agent shall promptly notify each A Lender of such request, and each A Lender shall in turn, within 30 days prior to such next Anniversary Date, notify the Borrower and the Agent in writing regarding whether such A Lender will consent to such extension. If, and only if, all A Lenders consent in writing to such extension prior to the tenth Business Day preceding such next Anniversary Date, the Revolver Termination Date shall be so extended for such one calendar year and references herein to the "Revolver Termination Date" shall refer to such "Revolver Termination Date" as so extended. If any A Lender shall fail to deliver such notice to the Borrower and the Agent as provided above, such A Lender shall be deemed not to have consented to any requested extension and all of the A Lenders' A Commitments shall terminate on the scheduled Revolver Termination Date. It is understood that no A Lender shall have any obligation whatsoever to agree to any request made by the Borrower for an extension of the Revolver Termination Date."

(g) Section 3.01 of the Credit Agreement is hereby amended as follows:

(i) by deleting the phrase "30 days" appearing therein and inserting in its place the phrase "one day";

(ii) by deleting the dollar amount "$350,000,000" appearing therein and inserting in its place the dollar amount "$425,000,000";

(iii) by deleting the phrase "the earlier of (i)" appearing therein; and

(iv) by deleting the phrase "or (ii) the LC Termination Date" appearing therein.

(h) Subsection (a) of Section 3.05 of the Credit Agreement is hereby amended to read in full as follows:

"(a) Facility Fee. The Borrower hereby agrees to pay to each LC Lender (in accordance with its LC Commitment Percentage) a letter of credit facility fee equal to 0.10% per annum for all periods prior to March 2, 1995 and 0.08% per annum for all periods on and after March 2, 1995 on the total amount of LC Commitments (regardless of the actual or deemed usage thereof) payable quarterly in arrears on the last day of April, July, October and January and on the LC Termination Date."

(i) Section 3.11 of the Credit Agreement is hereby amended to read in full as follows:

"SECTION 3.11. Extension of LC Termination Date. At least 45 but not more than 60 days prior to the LC Termination Date, the Borrower, by written notice to the Agent, may request that the LC Termination Date be extended for a period of 364 days from its then current scheduled expiration. The Agent shall promptly notify the Issuing Bank and each LC Lender of such request, and the Issuing Bank and each LC Lender shall in turn, within 30 days prior to such LC Termination Date, notify the Borrower and the Agent in writing regarding whether the Issuing Bank, or such LC Lender (as the case may be) will consent to such extension. If, and only if, all LC Lenders and the Issuing Bank consent in writing to such extension prior to the tenth Business Day preceding such LC Termination Date, the LC Termination Date shall be so extended for such 364-day period and references herein to the "LC Termination Date" shall refer to such "LC Termination Date" as so extended. If the Issuing Bank or any LC Lender shall fail to deliver such notice to the Borrower and the Agent as provided above, the Issuing Bank or such Lender shall be deemed not to have consented to such requested extension and the Issuing Bank's and all LC Lenders' LC Commitments shall terminate on the scheduled LC Termination Date. It is understood that neither the Issuing Bank nor any LC Lender shall have any obligation whatsoever to agree to any request made by the Borrower for an extension of the LC Termination Date."

SECTION 2. Conditions of Effectiveness. This Fifth Amendment Agreement shall become effective as of March 2, 1995 if, on or prior to that date, the Agent shall have received counterparts of this Fifth Amendment Agreement duly executed by the Borrower, the LC Subsidiaries, the Lenders, the Issuing Bank and the Agent, together with such other documents or information as the Agent may reasonably request.

SECTION 3. Reference to and Effect on the Credit Agreement. (a) Upon the effectiveness of this Fifth Amendment Agreement, on and after the date hereof, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended above, the Credit Agreement is and shall continue to be in full force and effect and is hereby ratified and confirmed in all respects.

(c) The execution, delivery and effectiveness of this Fifth Amendment Agreement shall not operate as a waiver of any right, power or remedy of any Lender, the Issuing Bank or the Agent under the Credit Agreement, nor constitute a waiver of any provision of the

Credit Agreement.

SECTION 4. Fees, Costs and Expenses. The Borrower agrees to pay on demand all costs and expenses of the Agent and the Issuing Bank incurred in connection with the preparation, execution, delivery, administration, modification and amendment of this Fifth Amendment Agreement and the other documents to be delivered hereunder, including, without limitation, the fees and out-of-pocket expenses of the Agent's legal counsel. The Borrower further agrees to pay on demand all costs and expenses of the Agent, the Issuing Bank and the Lenders (including, without limitation, reasonable fees and expenses of the Agent's legal counsel) in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Fifth Amendment Agreement and other documents to be delivered under this Fifth Amendment Agreement.

SECTION 5. Execution in Counterparts. This Fifth Amendment Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 6. GOVERNING LAW. THIS FIFTH AMENDMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. LC Subsidiaries. From and after the date hereof, Gap (Canada), Inc. shall be an LC Subsidiary hereunder and under the Credit Agreement. Each LC Subsidiary hereby (i) consents in all respects to the transactions contemplated hereby, (ii) acknowledges and irrevocably agrees that none of its respective obligations under the Credit Agreement or with respect to the Letters of Credit for which it is the account party shall be affected hereby, (iii) acknowledges and irrevocably agrees that all of its respective obligations under the Credit Agreement, as amended hereby, and with respect to the Letters of Credit for which it is the account party are in full force and effect, (iv) ratifies and reaffirms in all respects the Credit Agreement, as amended hereby, and the Letters of Credit for which it is the account party and all of its respective obligations with respect thereto, (v) certifies that it has received a copy hereof, has reviewed the same and is fully apprised of the contents and substance hereof and (vi) confirms that it shall be bound by the terms hereof.

SECTION 8. Citicorp USA Inc. Notwithstanding anything contained in the Credit Agreement to the contrary, from and after the date hereof Citicorp USA Inc. ("CUSA") shall be Lender and the Agent hereunder and under the Credit Agreement. The Credit Agreement is, effective the date hereof, hereby amended as follows:

(a) The introductory paragraph is hereby amended in full to read as follows:

> "CREDIT AGREEMENT, dated as of March 2, 1990 (this "Agreement"), among The Gap, Inc., a Delaware corporation (the "Borrower"), the LC Subsidiaries (as hereinafter defined), the banks (the

"Banks") listed on the signature pages hereof, Citibank, N.A., ("Citibank"), as issuing bank (the "Issuing Bank"), and Citicorp USA Inc. ("CUSA") as agent (the "Agent") for the Lenders and Issuing Bank hereunder:"

(b) Each reference in the Credit Agreement to "Citibank" shall be amended to refer to "CUSA" except as follows:

(i) The reference to "Citibank" in the definition of "Base Rate" shall continue to refer to Citibank;

(ii) The reference to "Citibank" in the definition of "Issuing Bank" shall continue to refer to Citibank; and

(iii) The reference to "Citibank" in the definition of "Reference Bank" shall continue to refer to Citibank.

(c) Section 9.03 of the Credit Agreement is hereby amended to read in full as follows:

"SECTION 9.03. CUSA, Citibank and Affiliates. With respect to CUSA's A Commitment, its LC Commitment and the Advances made by it, and with respect to Citibank as Issuing Bank, CUSA and Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent or Issuing Bank, as the case may be; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include CUSA and Citibank in their individual capacities. CUSA, Citibank and each of their respective Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if CUSA were not the Agent or Citibank were not the Issuing Bank, as the case may be, and without any duty to account therefor to the Lenders."

(d) Section 10.04 of the Credit Agreement is hereby amended by adding the following subsection (d):

"(d) The Borrower hereby acknowledges that the funding method by each Lender of its Advances hereunder shall be in the sole discretion of such Lender. The Borrower agrees that for purposes of any determination to be made under Sections 2.08, 2.12(a), 2.13 or 10.04(b) of this Agreement each Lender shall be deemed to have funded its Eurodollar rate Advances with proceeds of Dollar deposits in the London interbank market."

(e) Each reference in Section 10.05 of the Credit Agreement to a

Lender shall be amended to refer to such Lender and its Affiliates.

(f) Section 10.07 of the Credit Agreement is hereby amended by adding the following subsection (h):

"(h) Notwithstanding anything herein contained to the contrary, each Lender may assign any of its rights and obligations under this Agreement to any of its Affiliates without notice to or consent of the Borrower or the Agent; and each Lender or any of its Affiliates may assign any of its rights (including, without limitation, rights to payment of principal and/or interest hereunder) under this Agreement to any Federal Reserve Bank without notice to or consent of the Borrower or the Agent."

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Amendment Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE BORROWER:

THE GAP, INC.

By /s/ Richard S. McKinley
Name: Richard S. McKinley
Title: Vice President-Finance and Treasurer

LC SUBSIDIARIES:
BANANA REPUBLIC, INC.

By /s/ Richard S. McKinley
Name: Richard S. McKinley
Title: Vice President-Finance and Treasurer

GPS (GREAT BRITAIN) LIMITED

By /s/ Richard S. McKinley
Name: Richard S. McKinley
Title: Vice President-Finance and

Treasurer

GAP (CANADA), INC.

By /s/ Richard S. McKinley
Name: Richard S. McKinley
Title: Vice President-Finance and
Treasurer

GAP (FAR EAST) LIMITED

By /s/ Richard S. McKinley
Name: Richard S. McKinley
Title: Vice President-Finance and
Treasurer

THE GAP (SINGAPORE) PTE. LIMITED

By /s/ Richard S. McKinley
Name: Richard S. McKinley
Title: Vice President-Finance and
Treasurer

THE AGENT:

CITICORP USA INC.

By /s/ Barbara A. Cohen
Name: Barbara A. Cohen
Title: Vice President

THE ISSUING BANK:

CITIBANK, N.A.

By /s/ Edward Leitieri
Name: Edward Leitieri
Title: Vice President

THE LENDERS:

A Commitment $ 50,000,000 LC Commitment $ 100,000,000	CITICORP USA INC. By /s/ Barbara A. Cohen Name: Barbara A. Cohen Title: Vice President
A Commitment $ 35,000,000 LC Commitment $ 85,000,000	BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION By /s/ Richard E. Bryson Name: Richard E. Bryson Title: Vice President
A Commitment $ 20,000,000 LC Commitment $ 65,000,000	NATIONAL WESTMINSTER BANK PLC New York Branch By /s/ Hal S. Sadoff Name: Hal S. Sadoff Title: Vice President Nassau Branch By /s/ Hal S. Sadoff Name: Hal S. Sadoff Title: Vice President
A Commitment $ 30,000,000 LC Commitment $ 35,000,000	NATIONSBANK OF TEXAS, N.A. By /s/ Overton Colton

Name: Overton Colton
Title: Vice President

A Commitment $ 20,000,000 LC Commitment $ 25,000,000	ROYAL BANK OF CANADA By /s/ Brian W. Dixon Name: Brian W. Dixon Title: Senior Manager
A Commitment $ 10,000,000 LC Commitment $ 35,000,000	BANK OF MONTREAL By /s/ Cecily Mistarz Name: Cecily Mistarz Title: Senior Manager, Credit
A Commitment $ 20,000,000 LC Commitment $ 25,000,000	SOCIETE GENERALE By /s/ J. Blaine Shaum Name: J. Blaine Shaum Title: Regional Manager
A Commitment $ 15,000,000 LC Commitment $ 20,000,000	THE FUJI BANK, LIMITED By /s/ Shigeo Matsumoto Name: Shigeo Matsumoto Title: General Manager
A Commitment $ 15,000,000 LC Commitment $ 15,000,000	U.S. NATIONAL BANK OF OREGON By /s/ Janet E. Jordan Name: Janet E. Jordan Title: Vice President
A Commitment $ 20,000,000	MORGAN GUARANTY TRUST COMPANY OF NEW YORK

LC Commitment $ 10,000,000	
	By /s/ Carl J. Mehldau, Jr. Name: Carl J. Mehldau, Jr. Title: Associate
A Commitment $ 15,000,000	THE SUMITOMO BANK LIMITED
LC Commitment $ 10,000,000	By /s/ Hiroshi Amano Name: Hiroshi Amano Title: General Manager
$ 250,000,000	Total of the A Commitments
$ 425,000,000	Total of the LC Commitments

THE GAP, INC. AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE

	Thirteen Weeks Ended April 29, 1995	Thirteen Weeks Ended April 30, 1994
Net earnings ($000)	$ 50,113	$ 63,478
Weighted average shares of common stock outstanding during the period	143,872,100	145,361,013
Add incremental shares from assumed exercise of stock options (primary)	167,112	934,174
	144,039,212	146,295,187
Primary earnings per share	$ .35	$ .43
Weighted average shares of common stock outstanding during the period	143,872,100	145,361,013
Add incremental shares from assumed exercise of stock options (fully-diluted)	167,079	995,131
	144,039,179	146,356,144
Fully-diluted earnings per share	$ .35	$ .43

NOTE: The information provided in the exhibit is presented in accordance with Regulation S-K, Item 601(b)(11), while net earnings per share on the Consolidated Statements of Earnings is presented in accordance with APB Opinion 15. This information is not required under APB Opinion 15, as the difference between primary and fully-diluted earnings per share and earnings per share calculated on a weighted average shares basis is less than 3%.

Deloitte & Touche LLP
2101 Webster Street   Telephone (510)287-2700
Oakland, Califonria 94612-3027   Facsimile (510)835-4888

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

We have made reviews, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim consolidated financial statements of The Gap, Inc. and subsidiaries for the thirteen-week periods ended April 29, 1995 and April 30, 1994, as indicated in our reported dated May 9, 1995, 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 April 29, 1995, is incorporated by reference in Post Effective Amendment No. 1 to Registration Statement No. 2-72586, Registration Statement No. 2-60029, Registration Statement No. 33-39089, Registration Statement No. 33-40505, Registration Statement No. 33-54686, Registration Statement No. 33-54688, Registration Statement No. 33-54690 and Registration Statement No. 33-56021.

We are also 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

June 9, 1995

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