

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended January 30, 2016
- 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

(State of Incorporation)

94-1697231

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

Two Folsom Street, San Francisco, California

(Address of principal executive offices)

94105

(Zip code)

Registrant's telephone number, including area code: **(415) 427-0100**

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

Common Stock, \$0.05 par value

(Title of class)

The New York Stock Exchange

(Name of exchange where registered)

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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 Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of July 31, 2015 was approximately \$10 billion based upon the last price reported for such date in the NYSE-Composite transactions.

The number of shares of the registrant's common stock outstanding as of March 15, 2016 was 397,140,119.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 17, 2016 (hereinafter referred to as the "2016 Proxy Statement") are incorporated into Part III.

Special Note on Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements other than those that are purely historical are forward-looking statements. Words such as “expect,” “anticipate,” “believe,” “estimate,” “intend,” “plan,” “project,” and similar expressions also identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding the following:

- target cash balance and ability to provide for our working capital needs and for unexpected business downturns;
- continuing to evolve our customer experience, with particular focus on the mobile and digital expressions of our brands;
- attracting, retaining, and training great talent in our businesses and functions;
- improving sales performance through a more consistent, on-trend product offering;
- continued focus on our responsive supply chain and inventory management initiatives;
- continuing our investment in mobile digital capabilities;
- enhancing our shopping experience for our customers;
- continuing growth through new stores with a focus on Asia, outlet, and Athleta;
- impact of foreign exchange rate fluctuations in fiscal 2016;
- net store openings in fiscal 2016;
- square footage for company-operated stores in fiscal 2016;
- operating margin in fiscal 2016;
- current cash balances and cash flows being sufficient to support our business operations, including growth initiatives, planned capital expenditures, and repayment of debt;
- ability to supplement near-term liquidity, if necessary, with our \$500 million revolving credit facility or other available market instruments;
- the impact of the seasonality of our operations;
- cash spending for purchases of property and equipment in fiscal 2016;
- dividend payments in fiscal 2016;
- the estimates and assumptions we use in our accounting policies;
- the impact of accounting pronouncements;
- unrealized gains and losses from designated cash flow hedges;
- total gross unrecognized tax benefits;
- expected payments to International Business Machines Corporation (“IBM”);
- the impact of losses due to indemnification obligations;
- the outcome of proceedings, lawsuits, disputes, and claims; and
- the impact of changes in internal control over financial reporting.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, without limitation, the following:

- the risk that the adoption of new accounting pronouncements will impact future results;
-

- the risk that we or our franchisees will be unsuccessful in gauging apparel trends and changing consumer preferences;
 - the risk that changes in global economic conditions or consumer spending patterns could adversely impact our results of operations;
 - the highly competitive nature of our business in the United States and internationally;
 - the risk that if we are unable to manage our inventory effectively, our gross margins will be adversely affected;
 - the risk that the failure to attract and retain key personnel, or effectively manage succession, could have an adverse impact on our results of operations;
 - the risk that we are subject to data or other security breaches that may result in increased costs, violations of law, significant legal and financial exposure, and a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation;
 - the risks to our efforts to expand internationally, including our ability to operate under a global brand structure and operating in regions where we have less experience;
 - the risk that foreign currency exchange rate fluctuations could adversely impact our financial results;
 - the risks to our business, including our costs and supply chain, associated with global sourcing and manufacturing;
 - the risks to our reputation or operations associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct;
 - the risk that trade matters could increase the cost or reduce the supply of apparel available to us and adversely affect our business, financial condition, and results of operations;
 - the risk that our franchisees' operation of franchise stores is not directly within our control and could impair the value of our brands;
 - the risk that we or our franchisees will be unsuccessful in identifying, negotiating, and securing new store locations and renewing, modifying, or terminating leases for existing store locations effectively;
 - the risk that our investments in omni-channel shopping initiatives may not deliver the results we anticipate;
 - the risk that comparable sales and margins will experience fluctuations;
 - the risk that changes in our credit profile or deterioration in market conditions may limit our access to the capital markets and adversely impact our financial results or our business initiatives;
 - the risk that updates or changes to our information technology ("IT") systems may disrupt our operations;
 - the risk that failure to maintain, enhance and protect our brand image could have an adverse effect on our results of operations;
 - the risk that natural disasters, public health crises, political crises, or other catastrophic events could adversely affect our operations and financial results, or those of our franchisees or vendors;
 - the risk that changes in the regulatory or administrative landscape could adversely affect our financial condition, strategies, and results of operations;
 - the risk that we do not repurchase some or all of the shares we anticipate purchasing pursuant to our repurchase program; and
-

- the risk that we will not be successful in defending various proceedings, lawsuits, disputes, claims, and audits.

Additional information regarding factors that could cause results to differ can be found in this Annual Report on Form 10-K and our other filings with the U.S. Securities and Exchange Commission ("SEC").

Future economic and industry trends that could potentially impact net sales and profitability are difficult to predict. These forward-looking statements are based on information as of March 21, 2016, and we assume no obligation to publicly update or revise our forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

THE GAP, INC.
2015 ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

	<u>Page</u>
PART I	
Item 1. Business	1
Item 1A. Risk Factors	4
Item 1B. Unresolved Staff Comments	11
Item 2. Properties	11
Item 3. Legal Proceedings	12
Item 4. Mine Safety Disclosures	12
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	13
Item 6. Selected Financial Data	16
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	18
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	31
Item 8. Financial Statements and Supplementary Data	32
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	69
Item 9A. Controls and Procedures	69
Item 9B. Other Information	69
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	69
Item 11. Executive Compensation	69
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	70
Item 13. Certain Relationships and Related Transactions, and Director Independence	70
Item 14. Principal Accounting Fees and Services	70
PART IV	
Item 15. Exhibits, Financial Statement Schedules	71

Part I

Item 1. Business.

General

The Gap, Inc. (Gap Inc., the "Company," "we," and "our") was incorporated in the State of California in July 1969 and was reincorporated under the laws of the State of Delaware in May 1988.

Gap Inc. is a leading global apparel retail company. We offer apparel, accessories, and personal care products for men, women, and children under the Gap, Banana Republic, Old Navy, Athleta, and Intermix brands. Our portfolio of distinct brands across multiple channels and geographies gives us a competitive advantage in the global retail marketplace.

Gap Inc. has Company-operated stores in the United States, Canada, the United Kingdom, France, Ireland, Japan, Italy, China, Hong Kong, Taiwan, and beginning in October 2015, Mexico. We also have franchise agreements with unaffiliated franchisees to operate Gap, Banana Republic, and Old Navy stores throughout Asia, Australia, Europe, Latin America, the Middle East, and Africa. Under these agreements, third parties operate, or will operate, stores that sell apparel and related products under our brand names. Our products are also available to customers online through Company-owned websites and through the use of third parties that provide logistics and fulfillment services. Most of the products sold under our brand names are designed by us and manufactured by independent sources. We also sell products that are designed and manufactured by branded third parties, especially at our Intermix brand.

In addition to operating in the specialty, outlet, online, and franchise channels, Gap Inc. is a leader among apparel retailers in using omni-channel capabilities to bridge the digital world and physical stores, creating world-class shopping experiences regardless of where or how customers shop. The Company's suite of omni-channel services, including order-in-store, reserve-in-store, find-in-store, and ship-from-store, as well as enhanced mobile experiences, are uniquely tailored across its portfolio of brands.

Gap. Gap is one of the world's most iconic apparel and accessories brands anchored in optimistic, casual, American style. Founded in San Francisco in 1969, our collections continue to build the foundation of modern wardrobes - all things denim, tees, button-downs, and khakis, along with must-have trends.

Gap is designed to build the foundation of modern wardrobes through every stage of life with apparel and accessories for adult men and women under the Gap name, in addition to GapKids, babyGap, GapMaternity, GapBody, and GapFit collections. Beginning in 1987 with the opening of our first store outside North America in London, Gap continues to connect with customers around the world through specialty stores, online, and franchise stores. In addition, we bring the brand to our value-conscious customers, with exclusively designed collections for Gap Outlet and Gap Factory stores and websites.

Banana Republic. Acquired with two stores in 1983 as a travel and adventure outfitter, Banana Republic is now a global apparel and accessories brand focused on delivering versatile, contemporary classics, designed for today with style that endures. Banana Republic offers clothing, eyewear, jewelry, shoes, handbags, and fragrances with detailed craftsmanship and luxurious materials. Customers can purchase Banana Republic products globally in our specialty and outlet stores, online, and in franchise stores.

Old Navy. Old Navy is a global apparel and accessories brand that believes in the democracy of style, making current, on-trend American essentials accessible to every family. Old Navy opened its first store in 1994 in the United States, and expanded globally in 2012 with its first store outside North America in Japan. Since then, Old Navy has continued to expand its global presence, with its first Company-operated stores in China and franchise stores in the Philippines in 2014. Customers can purchase Old Navy products globally in stores, online, and in franchise stores.

Athleta. Acquired in September 2008, Athleta is Gap Inc.'s premier fitness and lifestyle brand in the rapidly growing women's active apparel market. Athleta creates versatile and fashionable performance and lifestyle apparel for the fitness-minded woman who lives life on the go. Athleta offers apparel and gear for a range of activities from yoga to strength training and running, as well as seasonal sports, including skiing and tennis. Customers can purchase Athleta products in stores, online, and through its catalogs.

Intermix. Acquired in December 2012, Intermix curates must-have styles from the most coveted emerging and established designers. Known for styling on-trend pieces in unexpected ways, Intermix delivers a unique point of view and an individualized approach to shopping and personal style. Customers can shop in stores in the United States and Canada, and online.

Piperlime. Launched in 2006, Piperlime offered a mix of private label and branded apparel and accessories. As previously announced in January 2015, the Company closed the Piperlime brand during the first half of fiscal 2015, including the Piperlime e-commerce site, social channels, and one store in New York City.

All sales to customers are tendered for cash, debit cards, credit cards, or personal checks. We also issue and redeem gift cards through our brands. Gap, Banana Republic, Old Navy, and Athleta each have a private label credit card program and a co-branded credit card program through which frequent customers receive benefits. Private label and co-branded credit cards are provided by a third-party financing company.

The range of merchandise displayed in each store varies depending on the selling season and the size and location of the store. Stores are generally open seven days per week (where permitted by law) and most holidays.

We ended fiscal 2015 with 3,721 Company-operated and franchise store locations. For more information on the number of stores by brand and region, see the table in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Item 7 of this Form 10-K.

Certain financial information about international operations is set forth under the heading "Segment Information" in Note 16 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

Merchandise Vendors

We purchase private label and non-private label merchandise from about 1,000 vendors. Our vendors have factories in about 40 countries. Our two largest vendors each accounted for about 5 percent of the dollar amount of our total fiscal 2015 purchases. Of our merchandise purchased during fiscal 2015, approximately 99 percent of purchases, by dollar value, were from factories outside the United States, while the remaining 1 percent of all purchases were from domestic factories. Approximately 24 percent of our fiscal 2015 purchases, by dollar value, were from factories in China. Product cost increases or events causing disruption of imports from China or other foreign countries, including the imposition of additional import restrictions or vendors potentially failing due to political, financial, or regulatory issues, could have an adverse effect on our operations. Substantially all of our foreign purchases of merchandise are negotiated and paid for in U.S. dollars. Also see the sections entitled "Risk Factors—Our business, including our costs and supply chain, is subject to risks associated with global sourcing and manufacturing," "Risk Factors—Risks associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct, could harm our business," and "Risk Factors—Trade matters may disrupt our supply chain" in Item 1A of this Form 10-K.

Seasonal Business

Our business follows a seasonal pattern, with sales peaking during the end-of-year holiday period.

Brand Building

Our ability to develop and evolve our existing brands is a key to our success. We believe our distinct brands are among our most important assets. With the exception of Intermix, virtually all aspects of brand development, from product design and distribution to marketing, merchandising and shopping environments, are controlled by Gap Inc. employees. With respect to Intermix, we control all aspects of brand development except for product design related to third-party products. We continue to invest in our business and enhance the customer experience through significant investments in marketing and our omni-channel capabilities, enhancement of our online shopping sites, international expansion, remodeling of existing stores, and investments in our supply chain.

Trademarks and Service Marks

Gap, GapKids, babyGap, GapMaternity, GapBody, GapFit, Banana Republic, Old Navy, Athleta, and Intermix trademarks and service marks, and certain other trademarks, have been registered, or are the subject of pending trademark applications, with the United States Patent and Trademark Office and with the registries of many foreign countries and/or are protected by common law.

Franchising

We have franchise agreements with unaffiliated franchisees to operate Gap, Banana Republic, and Old Navy stores in a number of countries throughout Asia, Australia, Europe, Latin America, the Middle East, and Africa. Under these agreements, third parties operate, or will operate, stores that sell apparel and related products under our brand names. For additional information on risks related to our franchise business, see the sections entitled "Risk Factors—Our efforts to expand internationally may not be successful" and "Risk Factors—Our franchise business is subject to certain risks not directly within our control that could impair the value of our brands" in Item 1A of this Form 10-K.

Inventory

The nature of the retail business requires us to carry a significant amount of inventory, especially prior to peak holiday selling season when we, along with other retailers, generally build up inventory levels. We maintain a large part of our inventory in distribution centers. We review our inventory levels in order to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes or colors) and we primarily use promotions and markdowns to clear merchandise. Also see the sections entitled "Risk Factors—We must successfully gauge apparel trends and changing consumer preferences to succeed" and "Risk Factors—If we are unable to manage our inventory effectively, our gross margins could be adversely affected" in Item 1A of this Form 10-K.

Competitors

The global apparel retail industry is highly competitive. We compete with local, national, and global apparel retailers. We are also faced with competition in European, Japanese, Chinese, and Canadian markets from established regional and national chains, and our franchisees face significant competition in the markets in which they operate. Also see the section entitled "Risk Factors—Our business is highly competitive" in Item 1A of this Form 10-K.

Employees

As of January 30, 2016, we had a workforce of approximately 141,000 employees, which includes a combination of part-time and full-time employees. We also hire seasonal employees, primarily during the peak end-of-year holiday period.

To remain competitive in the apparel retail industry, we must attract, develop, and retain skilled employees in our design, merchandising, marketing, and other functions. Competition for such personnel is intense. Our success is dependent to a significant degree on the continued contributions of key employees. Also see the section entitled "Risk Factors—The failure to attract and retain key personnel, or effectively manage succession, could have an adverse impact on our results of operations" in Item 1A of this Form 10-K.

Available Information

We make available on our website, www.gapinc.com, under "Investors, Financial Information, SEC Filings," free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish them to the SEC.

Our Board of Directors Committee Charters (Audit and Finance, Compensation and Management Development, and Governance and Sustainability Committees) and Corporate Governance Guidelines are also available on our website under "Investors, Governance." Our Code of Business Conduct can be found on our website under "Investors, Corporate Compliance, Code of Business Conduct." Any amendments and waivers to the Code will also be available on the website.

Executive Officers of the Registrant

The following are our executive officers:

Name, Age, Position, and Principal Occupation:

Arthur Peck, 60, Director and Chief Executive Officer since February 2015; President, Growth, Innovation, and Digital division from November 2012 to January 2015; President, Gap North America from February 2011 to November 2012; Executive Vice President of Strategy and Operations from May 2005 to February 2011; President, Gap Inc. Outlet from October 2008 to February 2011; Acting President, Gap Inc. Outlet from February 2008 to October 2008.

Paul Chapman, 58, Executive Vice President, Chief Information Officer since December 2015; Senior Vice President and Chief Information Officer from January 2014 to December 2015; Senior Vice President, Information Technology, from 2010 to 2015; Vice President, Information Technology from 2004 to 2010.

Solomon Goldfarb, 51, Executive Vice President, Digital and Customer Experience since February 2015; Senior Vice President, Digital Platform Strategy and Product Management from February 2013 to January 2015; Senior Vice President, Enterprise Product Management from March 2012 to February 2013; Vice President, International E-Commerce and Product Management from March 2009 to March 2012; Vice President, Growth, Innovation, and Digital Product Management from March 2006 to March 2009.

Julie Gruber, 50, Executive Vice President, Global General Counsel, Corporate Secretary, and Chief Compliance Officer since February 2016; Senior Vice President and General Counsel from March 2015 to February 2016; Vice President and Deputy General Counsel from 2007 to 2015; Associate General Counsel from 2003 to 2007.

Jeff Kirwan, 49, Global President, Gap since December 2014; Executive Vice President and President, Gap China from February 2013 to December 2014; Senior Vice President, Managing Director and Chief Operating Officer, Gap China from May 2011 to February 2013; Senior Vice President, Stores and Operations, Old Navy from August 2008 to May 2011; Senior Vice President and General Manager, Old Navy Canada from March 2008 to August 2008; Vice President and General Manager, Old Navy Canada from April 2007 to March 2008.

Andi Owen, 50, Global President, Banana Republic since January 2015; Executive Vice President and General Manager, Global Gap Outlet from January 2013 to January 2015; Senior Vice President and General Manager, Gap Outlet / Shared Services from January 2008 to January 2013; Vice President, Merchandising - Outlet from July 2006 to January 2008.

Bobbi Silten, 55, Executive Vice President, Global Talent and Sustainability since May 2015; Senior Vice President, Global Responsibility & President, Gap Foundation, 2010 to 2015; Chief Foundation Officer, Gap Foundation, 2005 to 2010.

Sabrina Simmons, 52, Executive Vice President and Chief Financial Officer since January 2008; Executive Vice President, Corporate Finance from September 2007 to January 2008; Senior Vice President, Corporate Finance and Treasurer from March 2003 to September 2007; Vice President and Treasurer from September 2001 to March 2003.

Sonia Syngal, 46, Executive Vice President, Global Supply Chain and Product Operations since February 2015; Executive Vice President, Global Supply Chain from November 2013 to January 2015; Senior Vice President, Old Navy International from February 2013 to November 2013; Senior Vice President and Managing Director, Europe from May 2011 to February 2013; Senior Vice President and General Manager, International Outlets from January 2010 to May 2011; Vice President of Global Production, Supply Chain - Outlet from July 2006 to January 2010; Vice President, Corporate Sourcing from July 2004 to July 2006.

Item 1A. Risk Factors.

Our past performance may not be a reliable indicator of future performance because actual future results and trends may differ materially depending on a variety of factors, including but not limited to the risks and uncertainties discussed below. In addition, historical trends should not be used to anticipate results or trends in future periods.

We must successfully gauge apparel trends and changing consumer preferences to succeed.

Our success is largely dependent upon our ability to gauge the tastes of our customers and to provide merchandise that satisfies customer demand in a timely manner. However, lead times for many of our design and purchasing decisions may make it more difficult for us to respond rapidly to new or changing apparel trends or consumer acceptance of our products. The global apparel retail business fluctuates according to changes in consumer preferences, dictated in part by apparel trends and season. To the extent we misjudge the market for our merchandise or the products suitable for local markets or fail to execute trends and deliver product to market as timely as our competitors, our sales will be adversely affected, and the markdowns required to move the resulting excess inventory will adversely affect our operating results. For example, during fiscal 2015, product acceptance at Banana Republic and Gap brand, in particular, was below expectations, and as a result, our financial results were negatively impacted.

Global economic conditions and the impact on consumer spending patterns could adversely impact our results of operations.

The Company's performance is subject to global economic conditions and their impact on levels of consumer spending worldwide. Some of the factors that may influence consumer spending include high levels of unemployment, higher consumer debt levels, reductions in net worth based on market declines and uncertainty, home foreclosures and reductions in home values, fluctuating interest rates and credit availability, government austerity measures, fluctuating fuel and other energy costs, fluctuating commodity prices, and general uncertainty regarding the overall future economic environment. Consumer purchases of discretionary items, including our merchandise, generally decline during periods when disposable income is adversely affected or there is economic uncertainty.

Adverse economic changes in any of the regions in which we and our franchisees sell our products could reduce consumer confidence, and thereby could negatively affect earnings and have a material adverse effect on our results of operations. In challenging and uncertain economic environments, we cannot predict whether or when such circumstances may improve or worsen, or what impact, if any, such circumstances could have on our business, results of operations, cash flows, and financial position.

Our business is highly competitive.

The global apparel retail industry is highly competitive. We and our franchisees compete with local, national, and global department stores, specialty and discount store chains, independent retail stores, and online businesses that market similar lines of merchandise. We face a variety of competitive challenges including:

- anticipating and quickly responding to changing apparel trends and customer demands;
- attracting customer traffic both in stores and online;
- competitively pricing our products and achieving customer perception of value;
- maintaining favorable brand recognition and effectively marketing our products to customers in several diverse market segments and geographic locations;
- anticipating and responding to changing customer shopping preferences and practices, including the increasing shift to digital brand engagement, social media communication, and online shopping;
- developing innovative, high-quality products in sizes, colors, and styles that appeal to customers of varying age groups and tastes;
- purchasing and stocking merchandise to match seasonal weather patterns, and our ability to react to shifts in weather that impact consumer demand; and
- sourcing merchandise efficiently.

If we or our franchisees are not able to compete successfully in the United States or internationally, our results of operations would be adversely affected.

If we are unable to manage our inventory effectively, our gross margins could be adversely affected.

Fluctuations in the global apparel retail markets impact the levels of inventory owned by apparel retailers. The nature of the global apparel retail business requires us to carry a significant amount of inventory, especially prior to the peak holiday selling season when we build up our inventory levels. Merchandise usually must be ordered well in advance of the season and frequently before apparel trends are confirmed by customer purchases. We must enter into contracts for the purchase and manufacture of merchandise well in advance of the applicable selling season. As a result, we are vulnerable to demand and pricing shifts and to suboptimal selection and timing of merchandise purchases. In the past, we have not always predicted our customers' preferences and acceptance levels of our trend items with accuracy. If sales do not meet expectations, too much inventory may cause excessive markdowns and, therefore, lower than planned margins.

We have key strategic initiatives designed to optimize our inventory levels and increase the efficiency and responsiveness of our supply chain, including vendor fabric platforming, product demand testing, and in-season rapid response to demand. These initiatives involve significant systems and operational changes and we have limited experience operating in this manner. If we are unable to implement these initiatives successfully, we may not realize the return on our investments that we anticipate, and our operating results could be adversely affected.

The failure to attract and retain key personnel, or effectively manage succession, could have an adverse impact on our results of operations.

Our ability to anticipate and effectively respond to changing apparel trends depends in part on our ability to attract and retain key personnel in our design, merchandising, marketing, and other functions. In addition, several of our strategic initiatives, including our technology initiatives and supply chain initiatives require that we hire and/or develop employees with appropriate experience. Competition for this personnel is intense, and we cannot be sure that we will be able to attract and retain a sufficient number of qualified personnel in future periods. If we are unable to retain, attract, and motivate talented employees with the appropriate skill sets, or if changes to our organizational structure, operating results, or business model adversely affect morale or retention, we may not achieve our objectives and our results of operations could be adversely impacted. In addition, the loss of one or more of our key personnel or the inability to effectively identify a suitable successor to a key role could have a material adverse effect on our business. At the end of fiscal 2014 and beginning of fiscal 2015, there were several changes made to our senior leadership team, including our Chief Executive Officer; Global President, Gap; and Global President, Banana Republic. In October 2015, our Global President, Old Navy left the Company, and a search for a new global brand president is underway. The effectiveness of the new leaders in these roles, and any further transition as a result of these changes, could have a significant impact on our results of operations.

We are subject to data security risks, which could have an adverse effect on our results of operations and consumer confidence in our security measures.

As part of our normal operations, we receive and maintain confidential, proprietary, and personally identifiable information, including credit card information, about our customers, our employees, job applicants, and other third parties. Our business employs systems and websites that allow for the secure storage and transmission of this information. However, despite our safeguards and security processes and protections, security breaches could expose us to a risk of loss or misuse of this information, litigation, and potential liability. The retail industry, in particular, has been the target of many recent cyber-attacks. We may not have the resources to anticipate or prevent rapidly evolving types of cyber-attacks. Attacks may be targeted at us, our customers, or others who have entrusted us with information. In addition, even if we take appropriate measures to safeguard our information security and privacy environment from security breaches, we could still expose our customers and our business to risk. Actual or anticipated attacks may disrupt or impair our technology capabilities, and may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Advances in computer capabilities, new technological discoveries, or other developments may result in the technology used by us to protect transaction or other data being breached or compromised. Measures we implement to protect against cyber-attacks may also have the potential to impact our customers' shopping experience or decrease activity on our websites by making them more difficult to use. Data and security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breach by our employees or by persons with whom we have commercial relationships that result in the

unauthorized release of personal or confidential information. In addition, the regulatory environment surrounding information security, cybersecurity, and privacy is increasingly demanding, with new and changing requirements, and customers have a high expectation that the Company will adequately protect their personal information from cyber-attack or other security breaches. Security breaches and cyber incidents could result in a violation of applicable privacy and other laws, significant legal and financial exposure, and a loss of consumer confidence in our security measures, which could have an adverse effect on our results of operations and our reputation.

Our efforts to expand internationally may not be successful.

Our current strategies include pursuing continued international expansion in a number of countries around the world through a number of channels. We currently plan to open additional Old Navy stores outside of the United States, including in Mexico, Japan, and China, open additional Gap stores in China, open additional international outlet stores, and continue to grow online sales internationally. Our franchisees plan to open additional stores internationally. We have limited experience operating or franchising in some of these locations. In many of these locations, we face major, established competitors. In addition, in many of these locations, the real estate, employment and labor, transportation and logistics, regulatory, and other operating requirements differ dramatically from those in the places where we have more experience. Consumer tastes and trends may differ in many of these locations and, as a result, the sales of our products may not be successful or result in the margins we anticipate. If our international expansion plans are unsuccessful or do not deliver an appropriate return on our investments, our operations and financial results could be materially, adversely affected.

Our business is exposed to the risks of foreign currency exchange rate fluctuations and our hedging strategies may not be effective in mitigating those risks.

We are exposed to foreign currency exchange rate risk with respect to our sales, inventory purchases, operating expenses, profits, assets, and liabilities generated or incurred outside the U.S. Although we use financial instruments to hedge certain foreign currency risks, these measures may not succeed in fully offsetting the negative impact of foreign currency rate movements and generally only delay the impact of adverse foreign currency rate movements on our business and financial results. For example, in fiscal year 2015, foreign exchange fluctuations, in particular the depreciation of the currencies in Canada and Japan where we have significant retail operations, had a significant impact on our financial results. We expect this impact to continue in fiscal year 2016.

Our business, including our costs and supply chain, is subject to risks associated with global sourcing and manufacturing.

Independent third parties manufacture all of our products for us. As a result, we are directly impacted by increases in the cost of those products.

If we experience significant increases in demand or need to replace an existing vendor, there can be no assurance that additional manufacturing capacity will be available when required on terms that are acceptable to us or that any vendor would allocate sufficient capacity to us in order to meet our requirements. In addition, for any new manufacturing source, we may encounter delays in production and added costs as a result of the time it takes to train our vendors in our methods, products, quality control standards, and environmental, labor, health, and safety standards. Moreover, in the event of a significant disruption in the supply of the fabrics or raw materials used by our vendors in the manufacture of our products, our vendors might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. Any delays, interruption, or increased costs in the manufacture of our products could result in lower sales and net income. In addition, certain countries represent a larger portion of our global sourcing. For example, approximately 24 percent of our merchandise, by dollar value, is purchased from factories in China. Accordingly, any delays in production and added costs in China could have a more significant impact on our results of operations.

Because independent vendors manufacture virtually all of our products outside of our principal sales markets, third parties must transport our products over large geographic distances. Delays in the shipment or delivery of our products due to the availability of transportation, work stoppages, port strikes, infrastructure congestion, or other factors, and costs and delays associated with transitioning between vendors, could adversely impact our

financial performance. For example, the work slowdowns and stoppages at U.S. West Coast ports at the end of fiscal 2014 and beginning of fiscal 2015 created product delivery delays that impacted our ability to effectively manage our inventory and deliver seasonally correct product in a timely manner, which impacted our financial results for fiscal 2015. Manufacturing delays, transportation delays, or unexpected demand for our products may require us to use faster, but more expensive, transportation methods such as aircraft, which could adversely affect our gross margins. In addition, the cost of fuel is a significant component in transportation costs, so increases in the price of petroleum products can adversely affect our gross margins.

Risks associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct, could harm our business.

We purchase nearly all merchandise from third-party vendors in many different countries and we require those vendors to adhere to a Code of Vendor Conduct, which includes environmental, labor, health, and safety standards. From time to time, contractors or their subcontractors may not be in compliance with these standards or applicable local laws. Although we have implemented policies and procedures to facilitate our compliance with laws and regulations relating to doing business in foreign markets and importing merchandise into various countries, there can be no assurance that suppliers and other third parties with whom we do business will not violate such laws and regulations or our policies. Significant or continuing noncompliance with such standards and laws by one or more vendors could have a negative impact on our reputation, could subject us to liability, and could have an adverse effect on our results of operations.

Trade matters may disrupt our supply chain.

Trade restrictions, including increased tariffs or quotas, embargoes, safeguards, and customs restrictions against apparel items, as well as U.S. or foreign labor strikes, work stoppages, or boycotts, could increase the cost or reduce the supply of apparel available to us and adversely affect our business, financial condition, and results of operations. We cannot predict whether any of the countries in which our merchandise currently is manufactured or may be manufactured in the future will be subject to additional trade restrictions imposed by the United States or other foreign governments, including the likelihood, type, or effect of any such restrictions. In addition, we face the possibility of anti-dumping or countervailing duties lawsuits from U.S. domestic producers. We are unable to determine the impact of the changes to the quota system or the impact that potential tariff lawsuits could have on our global sourcing operations. Our sourcing operations may be adversely affected by trade limits or political and financial instability, resulting in the disruption of trade from exporting countries, significant fluctuation in the value of the U.S. dollar against foreign currencies, restrictions on the transfer of funds, and/or other trade disruptions.

Our franchise business is subject to certain risks not directly within our control that could impair the value of our brands.

We enter into franchise agreements with unaffiliated franchisees to operate stores and, in limited circumstances, websites, in many countries around the world. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names. The effect of these arrangements on our business and results of operations is uncertain and will depend upon various factors, including the demand for our products in new markets internationally and our ability to successfully identify appropriate third parties to act as franchisees, distributors, or in a similar capacity. In addition, certain aspects of these arrangements are not directly within our control, such as franchisee financial stability and the ability of these third parties to meet their projections regarding store locations, store openings, and sales. Other risks that may affect these third parties include general economic conditions in specific countries or markets, foreign exchange rates, changes in diplomatic and trade relationships, restrictions on the transfer of funds, and political instability. Moreover, while the agreements we have entered into and plan to enter into in the future provide us with certain termination rights, the value of our brands could be impaired to the extent that these third parties do not operate their stores in a manner consistent with our requirements regarding our brand identities and customer experience standards. Failure to protect the value of our brands, or any other harmful acts or omissions by a franchisee, could have an adverse effect on our results of operations and our reputation.

The market for prime real estate is competitive.

Our ability to effectively obtain real estate - to open new stores, distribution centers, and corporate offices nationally and internationally - depends on the availability of real estate that meets our criteria for traffic, square footage, co-tenancies, lease economics, demographics, and other factors. We also must be able to effectively renew our existing store leases. In addition, from time to time, we may seek to downsize, consolidate, reposition, relocate, or close some of our real estate locations, which in most cases requires a modification of an existing store lease. Failure to secure adequate new locations or successfully modify existing locations, or failure to effectively manage the profitability of our existing fleet of stores, could have a material adverse effect on our results of operations.

Additionally, the economic environment may at times make it difficult to determine the fair market rent of real estate properties within the United States and internationally. This could impact the quality of our decisions to exercise lease options at previously negotiated rents and the quality of our decisions to renew expiring leases at negotiated rents. Any adverse effect on the quality of these decisions could impact our ability to retain real estate locations adequate to meet our targets or efficiently manage the profitability of our existing fleet of stores and could have a material adverse effect on our results of operations.

Our investments in omni-channel shopping initiatives may not deliver the results we anticipate.

One of our strategic priorities is to further develop an omni-channel shopping experience for our customers through the integration of our store and digital shopping channels. Examples of our recent omni-channel initiatives include our ship-from-store, reserve-in-store, and order-in-store programs. We continue to explore additional ways to develop an omni-channel shopping experience, including further digital integration and customer personalization. These initiatives involve significant investments in IT systems and significant operational changes. In addition, our competitors are also investing in omni-channel initiatives, some of which may be more successful than our initiatives. If the implementation of our omni-channel initiatives is not successful, or we do not realize the return on our omni-channel investments that we anticipate, our operating results would be adversely affected.

We experience fluctuations in our comparable sales and margins.

Our success depends in part on our ability to improve sales, in particular at our largest brands. A variety of factors affect comparable sales or margins, including apparel trends, competition, current economic conditions, the timing of new merchandise releases and promotional events, changes in our merchandise mix, the success of marketing programs, foreign currency fluctuations, and weather conditions. These factors may cause our comparable sales results to differ materially from prior periods and from expectations. Our comparable sales, including the associated comparable online sales, have fluctuated significantly in the past on an annual, quarterly, and monthly basis. Over the past fiscal year, our reported quarterly comparable sales have ranged from a high of negative 2 percent in the second and third quarters of fiscal 2015 to a low of negative 7 percent in the fourth quarter of fiscal 2015. Over the past five years, our reported gross margins have ranged from a high of 39.4 percent in fiscal 2012 to a low of 36.2 percent in fiscal 2015 and fiscal 2011. In addition, over the past five years, our reported operating margins have ranged from a high of 13.3 percent in fiscal 2013 to a low of 9.6 percent in fiscal 2015.

Our ability to deliver strong comparable sales results and margins depends in large part on accurately forecasting demand and apparel trends, selecting effective marketing techniques, providing an appropriate mix of merchandise for our broad and diverse customer base, managing inventory effectively, using effective pricing strategies, and optimizing store performance. Failure to meet the expectations of investors, securities analysts, or credit rating agencies in one or more future periods could reduce the market price of our common stock and cause our credit ratings to decline.

Changes in our credit profile or deterioration in market conditions may limit our access to the capital markets and adversely impact our financial results or our business initiatives.

In April 2011, we issued \$1.25 billion aggregate principal amount of 5.95 percent notes due April 2021. As a result, we have additional costs that include interest payable semiannually on the notes. In January 2014, we also entered into a 15 billion Japanese yen, four-year, unsecured term loan due January 2018. In October 2015, we entered into a \$400 million unsecured term loan due October 2016, but that may be extended until October 2017.

Our cash flows from operations are the primary source of funds for these debt service payments. In this regard, we have generated annual cash flow from operating activities in excess of \$1 billion per year for well over a decade and ended fiscal 2015 with \$1.4 billion of cash and cash equivalents on our balance sheet. We are also able to supplement near-term liquidity, if necessary, with our \$500 million revolving credit facility. We continue to target a cash balance between \$1.0 billion to \$1.2 billion, which provides not only for our working capital needs, but also a reserve for unexpected business downturns. However, if our cash flows from operating activities decline significantly, we may be required to reprioritize our business initiatives to ensure that we can continue to service or refinance our debt with favorable rates and terms. In addition, any future reduction in our long-term senior unsecured credit ratings could result in reduced access to the credit and capital markets and higher interest costs, and potentially increased lease or hedging costs.

For further information on our debt and credit facilities, see Part II, Item 8, Financial Statements and Supplementary Data, Notes 4 and 5 of Notes to Consolidated Financial Statements of this Form 10-K.

Updates or changes to our IT systems may disrupt operations.

We continue to evaluate and implement upgrades and changes to our IT systems, some of which are significant. Upgrades involve replacing existing systems with successor systems, making changes to existing systems, or cost-effectively acquiring new systems with new functionality. We are aware of inherent risks associated with replacing these systems, including accurately capturing data and system disruptions, and believe we are taking appropriate action to mitigate the risks through testing, training, and staging implementation, as well as ensuring appropriate commercial contracts are in place with third-party vendors supplying or supporting our IT initiatives. However, there can be no assurances that we will successfully launch these systems as planned or that they will be implemented without disruptions to our operations. IT system disruptions, if not anticipated and appropriately mitigated, or failure to successfully implement new or upgraded systems, could have a material adverse effect on our results of operations.

Failure to maintain our reputation and brand image could negatively impact our results of operations.

Our brands have wide recognition, and our success has been due in large part to our ability to maintain, enhance and protect our brand image and reputation, and our customers' connection to our brands. Our continued success depends in part on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. Even if we react appropriately to negative posts or comments about us and/or our brands on social media and online, our customers' perception of our brand image and our reputation could be negatively impacted. Failure to maintain, enhance and protect our brand image could have a material adverse effect on our results of operations.

Our results could be adversely affected by natural disasters, public health crises, political crises, or other catastrophic events.

Natural disasters, such as hurricanes, tornadoes, floods, earthquakes, and other adverse weather and climate conditions; unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, labor unrest, and other political instability; or other catastrophic events, such as disasters occurring at our vendors' manufacturing facilities, whether occurring in the United States or internationally, could disrupt our operations, the operations of our franchisees, or the operations of one or more of our vendors. In particular, these types of events could impact our product supply chain from or to the impacted region and could impact our ability or the ability of our franchisees or other third parties to operate our stores or websites. In addition, these types of events could negatively impact consumer spending in the impacted regions or depending upon the severity, globally. Disasters occurring at our vendors' manufacturing facilities could impact our reputation and our customers' perception of our brands. To the extent any of these events occur, our operations and financial results could be adversely affected.

Changes in the regulatory or administrative landscape could adversely affect our financial condition and results of operations.

Laws and regulations at the local, state, federal, and international levels frequently change, and the ultimate cost of compliance cannot be precisely estimated. In addition, we cannot predict the impact that may result from changes in the regulatory or administrative landscape. Any changes in regulations, the imposition of additional regulations, or the enactment of any new or more stringent legislation that impacts employment and labor, trade, product safety, transportation and logistics, health care, tax, privacy, operations, or environmental issues, among others, could have an adverse impact on our financial condition and results of operations.

We are subject to various proceedings, lawsuits, disputes, and claims from time to time, which could adversely affect our business, financial condition and results of operations.

As a multinational company, we are subject to various proceedings, lawsuits, disputes, and claims ("Actions") arising in the ordinary course of our business. Many of these Actions raise complex factual and legal issues and are subject to uncertainties. Actions filed against us from time to time include commercial, intellectual property, customer, employment, and data privacy claims, including class action lawsuits. The plaintiffs in some Actions seek unspecified damages or injunctive relief, or both. Actions are in various procedural stages and some are covered in part by insurance. We cannot predict with assurance the outcome of Actions brought against us. Accordingly, developments, settlements, or resolutions may occur and impact income in the quarter of such development, settlement, or resolution. An unfavorable outcome could have an adverse impact on our business, financial condition and results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We have Company-operated stores in the United States, Canada, the United Kingdom, France, Ireland, Japan, Italy, China, Hong Kong, Taiwan, and beginning in October 2015, Mexico. As of January 30, 2016, we had 3,275 Company-operated stores, which aggregated to approximately 37.9 million square feet. Almost all of these stores are leased, typically with one or more renewal options after our initial term. Economic terms vary by type and location of store.

We own approximately 1.1 million square feet of corporate office space located in San Francisco, San Bruno, Pleasanton, and Rocklin, California, of which approximately 184,000 square feet is leased to and occupied by others. We lease approximately 925,000 square feet of corporate office space located in San Francisco, Rocklin, Petaluma, and Pleasanton, California; New York, New York; Albuquerque, New Mexico; and Toronto, Ontario, Canada. We also lease regional offices in North America and in various international locations. We own approximately 8.6 million square feet of distribution space located in Fresno, California; Fishkill, New York; Groveport, Ohio; Gallatin, Tennessee; Brampton, Ontario, Canada; and Rugby, England. Of the 8.6 million square feet of owned distribution space, approximately 117,000 square feet is leased to and occupied by others. We lease approximately 1.2 million square feet of distribution space located in Phoenix, Arizona; Grove City, Ohio; Erlanger and Hebron, Kentucky; and Bolton and Mississauga, Ontario, Canada. Third-party logistics companies provide logistics services to us through distribution warehouses in Chiba, Japan; and Shanghai and Hong Kong, China.

Item 3. Legal Proceedings.

We do not believe that the outcome of any current Action would have a material effect on our Consolidated Financial Statements.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The principal market on which our stock is traded is the New York Stock Exchange. The number of holders of record of our stock as of March 15, 2016 was 7,016. The table below sets forth the market prices and dividends declared and paid for each of the fiscal quarters in fiscal 2015 and 2014.

	Market Prices				Dividends Declared and Paid	
	Fiscal 2015		Fiscal 2014		Fiscal Year	
	High	Low	High	Low	2015	2014
1st Quarter	\$ 43.90	\$ 39.37	\$ 44.59	\$ 37.00	\$ 0.23	\$ 0.22
2nd Quarter	\$ 40.64	\$ 35.58	\$ 42.37	\$ 38.38	0.23	0.22
3rd Quarter	\$ 36.50	\$ 25.97	\$ 46.85	\$ 35.46	0.23	0.22
4th Quarter	\$ 28.65	\$ 21.57	\$ 43.85	\$ 37.10	0.23	0.22
					<u>\$ 0.92</u>	<u>\$ 0.88</u>

Stock Performance Graph

The graph below compares the percentage changes in our cumulative total stockholder return on our common stock for the five-year period ended January 30, 2016, with (i) the cumulative total return of the Dow Jones U.S. Retail Apparel Index and (ii) the S&P 500 Index. The total stockholder return for our common stock assumes quarterly reinvestment of dividends.

TOTAL RETURN TO STOCKHOLDERS

(Assumes \$100 investment on 1/29/2011)



Total Return Analysis

	1/29/2011	1/28/2012	2/2/2013	2/1/2014	1/31/2015	1/30/2016
The Gap, Inc.	\$ 100.00	\$ 100.95	\$ 178.81	\$ 210.28	\$ 232.33	\$ 143.41
S&P 500	\$ 100.00	\$ 104.22	\$ 121.71	\$ 147.89	\$ 168.93	\$ 167.81
Dow Jones U.S. Apparel Retailers	\$ 100.00	\$ 119.05	\$ 149.07	\$ 169.51	\$ 205.28	\$ 202.64

Source: Research Data Group, Inc. (415) 643-6000 (www.researchdatagroup.com)

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table presents information with respect to purchases of common stock of the Company made during the thirteen weeks ended January 30, 2016 by The Gap, Inc. or any affiliated purchaser, as defined in Exchange Act Rule 10b-18(a)(3):

	Total Number of Shares Purchased	Average Price Paid Per Share Including Commissions	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or approximate dollar amount) of Shares that May Yet be Purchased Under the Plans or Programs (1)
Month #1 (November 1 - November 28)	2,075,029	\$ 26.84	2,075,029	\$439 million
Month #2 (November 29 - January 2)	3,672,952	\$ 25.66	3,672,952	\$345 million
Month #3 (January 3 - January 30)	1,894,349	\$ 22.70	1,894,349	\$302 million
Total	<u>7,642,330</u>	\$ 25.25	<u>7,642,330</u>	

- (1) On February 26, 2015, we announced that the Board of Directors approved a \$1 billion share repurchase authorization (the "February 2015 repurchase program"). On February 25, 2016, we announced that the Board of Directors approved a new \$1 billion share repurchase authorization (the "February 2016 repurchase program"). The February 2015 repurchase program, which had \$302 million remaining, was superseded and replaced by the February 2016 repurchase program, which has no expiration date.

Item 6. Selected Financial Data.

The following selected financial data are derived from the Consolidated Financial Statements of the Company. We have also included certain non-financial data to enhance your understanding of our business. The data set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and the Company’s Consolidated Financial Statements and related notes in Item 8.

	Fiscal Year (number of weeks)				
	2015 (52)	2014 (52)	2013 (52)	2012 (53)	2011 (52)
Operating Results (\$ in millions)					
Net sales	\$ 15,797	\$ 16,435	\$ 16,148	\$ 15,651	\$ 14,549
Gross margin	36.2 %	38.3%	39.0%	39.4 %	36.2 %
Operating margin	9.6 %	12.7%	13.3%	12.4 %	9.9 %
Net income	\$ 920	\$ 1,262	\$ 1,280	\$ 1,135	\$ 833
Cash dividends paid	\$ 377	\$ 383	\$ 321	\$ 240	\$ 236
Per Share Data (number of shares in millions)					
Basic earnings per share	\$ 2.24	\$ 2.90	\$ 2.78	\$ 2.35	\$ 1.57
Diluted earnings per share	\$ 2.23	\$ 2.87	\$ 2.74	\$ 2.33	\$ 1.56
Weighted-average number of shares—basic	411	435	461	482	529
Weighted-average number of shares—diluted	413	440	467	488	533
Cash dividends declared and paid per share	\$ 0.92	\$ 0.88	\$ 0.70	\$ 0.50	\$ 0.45
Balance Sheet Information (\$ in millions)					
Merchandise inventory	\$ 1,873	\$ 1,889	\$ 1,928	\$ 1,758	\$ 1,615
Total assets	\$ 7,473	\$ 7,690	\$ 7,849	\$ 7,470	\$ 7,422
Working capital (1)	\$ 1,450	\$ 2,083	\$ 1,985	\$ 1,788	\$ 2,181
Total long-term debt, less current maturities (2)	\$ 1,310	\$ 1,332	\$ 1,369	\$ 1,246	\$ 1,606
Stockholders’ equity	\$ 2,545	\$ 2,983	\$ 3,062	\$ 2,894	\$ 2,755
Other Data (\$ and square footage in millions)					
Cash used for purchases of property and equipment	\$ 726	\$ 714	\$ 670	\$ 659	\$ 548
Acquisition of business, net of cash acquired (3)	\$ —	\$ —	\$ —	\$ 129	\$ —
Percentage increase (decrease) in comparable sales (4)	(4)%	—%	2%	5 %	(4)%
Number of Company-operated store locations open at year-end	3,275	3,280	3,164	3,095	3,036
Number of franchise store locations open at year-end	446	429	375	312	227
Number of store locations open at year-end (5)	3,721	3,709	3,539	3,407	3,263
Square footage of Company-operated store space at year-end	37.9	38.1	37.2	36.9	37.2
Percentage increase (decrease) in square footage of Company-operated store space at year-end	(0.5)%	2.4%	0.8%	(0.8)%	(2.6)%
Number of employees at year-end	141,000	141,000	137,000	136,000	132,000

(1) In fiscal year 2015, we adopted the Financial Accounting Standards Board, Accounting Standard Update No. 2015-17, Income Taxes. The adoption reduced current portion of deferred tax assets as a result of classifying all net deferred tax assets as noncurrent as of January 30, 2016.

- (2) In April 2012, we made the first scheduled payment of \$40 million related to our \$400 million term loan and in August 2012, we repaid the remaining \$360 million balance in full.
- (3) On December 31, 2012, we acquired all of the outstanding capital stock of Intermix, a multi-brand specialty retailer of luxury and contemporary apparel and accessories, for an aggregate purchase price of \$129 million.
- (4) Includes the associated comparable online sales.
- (5) Includes Company-operated and franchise store locations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are a global retailer offering apparel, accessories, and personal care products for men, women, and children under the Gap, Banana Republic, Old Navy, Athleta, and Intermix brands. We have Company-operated stores in the United States, Canada, the United Kingdom, France, Ireland, Japan, Italy, China, Hong Kong, Taiwan, and beginning in October 2015, Mexico. We have franchise agreements with unaffiliated franchisees to operate Gap, Banana Republic, and Old Navy stores throughout Asia, Australia, Europe, Latin America, the Middle East, and Africa. Under these agreements, third parties operate, or will operate, stores that sell apparel and related products under our brand names. Our products are also available to customers online through Company-owned websites and through the use of third parties that provide logistics and fulfillment services. In addition to operating in the specialty, outlet, online, and franchise channels, we also use our omni-channel capabilities to bridge the digital world and physical stores to further enhance our shopping experience for our customers. Our omni-channel services, including order-in-store, reserve-in-store, find-in-store, and ship-from-store, as well as enhanced mobile experiences, are tailored uniquely across our portfolio of brands. Most of the products sold under our brand names are designed by us and manufactured by independent sources. We also sell products that are designed and manufactured by branded third parties, primarily at our Intermix brand.

We identify our operating segments according to how our business activities are managed and evaluated. As of January 30, 2016, our operating segments included Gap Global, Old Navy Global, Banana Republic Global, Athleta, and Intermix. We have determined that each of our operating segments share similar economic and other qualitative characteristics, and therefore the results of our operating segments are aggregated into one reportable segment.

As previously announced in January 2015, we closed the Piperlime brand during the first half of fiscal 2015, including its online platform and the store in New York.

Financial results for fiscal 2015 are as follows:

- Net sales for fiscal 2015 decreased 4 percent to \$15.8 billion compared with \$16.4 billion for fiscal 2014. Excluding the impact of foreign exchange, our net sales decreased 2 percent for fiscal 2015 compared with fiscal 2014. See Net Sales discussion for impact of foreign exchange.
- Comparable ("Comp") sales for fiscal 2015 decreased 4 percent compared with flat for last year.
- Gross profit for fiscal 2015 was \$5.7 billion compared with \$6.3 billion for fiscal 2014. Gross margin for fiscal 2015 was 36.2 percent compared with 38.3 percent for fiscal 2014.
- Operating margin for fiscal 2015 was 9.6 percent compared with 12.7 percent for fiscal 2014. Operating margin is defined as operating income as a percentage of net sales.
- Net income for fiscal 2015 was \$920 million compared with \$1.3 billion for fiscal 2014. Diluted earnings per share was \$2.23 for fiscal 2015 compared with \$2.87 for fiscal 2014.
- During fiscal 2015, we distributed \$1.4 billion to shareholders through share repurchases and dividends.

In June 2015, we announced a series of strategic actions to position Gap brand for improved business performance in the future, including right-sizing the Gap brand store fleet, streamlining the brand's headquarter workforce, and developing a clear, on-brand product aesthetic framework that will help strengthen the Gap brand to compete more successfully on the global stage. During fiscal 2015, the Company completed the closure of about 150 global specialty stores related to the strategic actions. The Company also incurred certain charges during fiscal 2015 in connection with the strategic actions, primarily consisting of impairment of store assets, lease termination fees and lease losses, employee related expenses, and impairment of inventory that did not meet brand standards.

The charges incurred related to the Company's strategic actions primarily related to Gap brand are as follows:

(\$ in millions)			
Fiscal 2015	Cost of Goods Sold and Occupancy Expenses	Operating Expenses	Total Charges
Store closures and workforce reduction:			
Lease termination fees and lease losses	\$ —	\$ 33	\$ 33
Employee related expenses	7	17	24
Store asset impairment	5	5	10
Other	2	5	7
Total	14	60	74
Other charges:			
Store asset impairment related to underperforming stores	—	33	33
Inventory impairment	20	—	20
Other intangible asset impairment	—	5	5
Total	20	38	58
Total charges related to strategic actions	\$ 34	\$ 98	\$ 132

Our business priorities in 2016 include:

- offering product that is consistently brand-appropriate and on-trend with high customer acceptance;
- continuing to evolve our customer experience, with particular focus on the mobile and digital expressions of our brands; and
- attracting and retaining great talent in our businesses and functions.

For fiscal 2016, our top objective is to improve sales performance through a more consistent, on-trend, product offering. To enable this, we have several product initiatives underway, and in addition, we plan to continue focus on our responsive supply chain and inventory management. Further, we expect to continue our investment in our mobile digital capabilities and to enhance our shopping experience for our customers. We also plan to continue growth through new stores with a focus on Asia, outlet, and Athleta.

In fiscal 2016, we expect that foreign exchange rate fluctuations will continue to have a meaningful negative impact on our results, particularly in our largest foreign subsidiaries in Canada and Japan. With the depreciation of the Canadian dollar, Japanese yen, and other foreign currencies, we expect net sales translated into U.S. dollars will negatively impact our total Company net sales growth. In addition, we expect gross margins for our foreign subsidiaries to be negatively impacted as our merchandise purchases are primarily in U.S. dollars. We expect this negative impact of foreign exchange rate fluctuations to be partially offset by the favorable impact of translation of expenses in foreign currencies into U.S. dollars.

Results of Operations

Net Sales

See Item 8, Financial Statements and Supplementary Data, Note 16 of Notes to Consolidated Financial Statements for net sales by brand and region.

Comparable Sales

The percentage change in Comp sales by global brand and for total Company, as compared with the preceding year, is as follows:

	Fiscal Year		
	2015	2014	2013
Gap Global	(6)%	(5)%	3 %
Old Navy Global	— %	5 %	2 %
Banana Republic Global	(10)%	— %	(1)%
The Gap, Inc.	(4)%	— %	2 %

Comparable online sales favorably impacted total Company Comp sales by 2 percent, 2 percent, and 3 percent in fiscal 2015, 2014, and 2013, respectively.

Only Company-operated stores are included in the calculations of Comp sales. The calculation of total Company Comp sales includes the results of Athleta and Intermix but excludes the results of our franchise business.

A store is included in the Comp sales calculations when it has been open and operated by the Company for at least one year and the selling square footage has not changed by 15 percent or more within the past year. A store is included in the Comp sales calculations on the first day it has comparable prior year sales. Stores in which the selling square footage has changed by 15 percent or more as a result of a remodel, expansion, or reduction are excluded from the Comp sales calculations until the first day they have comparable prior year sales.

A store is considered non-comparable ("Non-comp") when it has been open and operated by the Company for less than one year or has changed its selling square footage by 15 percent or more within the past year.

A store is considered "Closed" if it is temporarily closed for three or more full consecutive days or it is permanently closed. When a temporarily closed store reopens, the store will be placed in the Comp/Non-comp status it was in prior to its closure. If a store was in Closed status for three or more days in the prior year, the store will be in Non-comp status for the same days the following year.

Online Comp sales are defined as sales through online channels in those countries where we have existing Comp store sales.

Current year foreign exchange rates are applied to both current year and prior year Comp sales to achieve a consistent basis for comparison.

Store Count and Square Footage Information

Net sales per average square foot is as follows:

	Fiscal Year		
	2015	2014	2013
Net sales per average square foot (1)	\$ 337	\$ 361	\$ 365

(1) Excludes net sales associated with our online and franchise businesses.

Store count, openings, closings, and square footage for our stores are as follows:

	January 31, 2015	Fiscal 2015		January 30, 2016	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Gap North America	960	34	128	866	9.1
Gap Asia	266	48	9	305	3.0
Gap Europe	189	4	18	175	1.5
Old Navy North America	1,013	36	19	1,030	17.3
Old Navy Asia	43	22	—	65	1.0
Banana Republic North America	610	24	22	612	5.1
Banana Republic Asia	44	7	—	51	0.2
Banana Republic Europe	11	1	2	10	0.1
Athleta North America	101	19	—	120	0.5
Piperlime North America	1	—	1	—	—
Intermix North America	42	2	3	41	0.1
Company-operated stores total	3,280	197	202	3,275	37.9
Franchise	429	52	35	446	N/A
Total	3,709	249	237	3,721	37.9
Increase (decrease) over prior year				0.3%	(0.5)%

	February 1, 2014	Fiscal 2014		January 31, 2015	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Gap North America	968	38	46	960	10.0
Gap Asia	228	42	4	266	2.7
Gap Europe	193	2	6	189	1.6
Old Navy North America	1,004	33	24	1,013	17.2
Old Navy Asia	18	25	—	43	0.7
Banana Republic North America	596	29	15	610	5.1
Banana Republic Asia	43	5	4	44	0.2
Banana Republic Europe	11	—	—	11	0.1
Athleta North America	65	37	1	101	0.4
Piperlime North America	1	—	—	1	—
Intermix North America	37	5	—	42	0.1
Company-operated stores total	3,164	216	100	3,280	38.1
Franchise	375	67	13	429	N/A
Total	3,539	283	113	3,709	38.1
Increase over prior year				4.8%	2.4 %

Gap and Banana Republic outlet and factory stores are reflected in each of the respective brands.

In fiscal 2016, we expect net openings of about 40 Company-operated store locations. We expect square footage for Company-operated stores to be about flat in fiscal 2016 compared with fiscal 2015.

Net Sales Discussion

Our net sales for fiscal 2015 decreased \$638 million, or 4 percent, compared with fiscal 2014 primarily due to the unfavorable impact of foreign exchange of about \$363 million and a decrease in net sales primarily at Gap and Banana Republic; partially offset by an increase in net sales at Old Navy. The unfavorable impact of foreign exchange was primarily driven by the weakening of the Canadian dollar and Japanese yen against the U.S. dollar. The foreign exchange impact is the translation impact if net sales for fiscal 2014 were translated at exchange rates applicable during fiscal 2015. On this basis, our net sales for fiscal 2015 decreased 2 percent compared with fiscal 2014. We believe this metric enhances the visibility of underlying sales trends by excluding the impact of foreign currency exchange rate fluctuations.

Our net sales for fiscal 2014 increased \$287 million, or 2 percent, compared with fiscal 2013 primarily due to an increase in net sales at Old Navy and Athleta; partially offset by the unfavorable impact of foreign exchange of about \$130 million and a decrease in net sales at Gap. The unfavorable impact of foreign exchange was primarily due to the weakening of the Canadian dollar and Japanese yen against the U.S. dollar. The foreign exchange impact is the translation impact if net sales for fiscal 2013 were translated at exchange rates applicable during fiscal 2014. On this basis, our net sales for fiscal 2014 increased 3 percent compared with fiscal 2013. We believe this metric enhances the visibility of underlying sales trends by excluding the impact of foreign currency exchange rate fluctuations.

Cost of Goods Sold and Occupancy Expenses

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Cost of goods sold and occupancy expenses	\$ 10,077	\$ 10,146	\$ 9,855
Gross profit	\$ 5,720	\$ 6,289	\$ 6,293
Cost of goods sold and occupancy expenses as a percentage of net sales	63.8%	61.7%	61.0%
Gross margin	36.2%	38.3%	39.0%

Cost of goods sold and occupancy expenses increased 2.1 percentage points in fiscal 2015 compared with fiscal 2014.

- Cost of goods sold increased 1.3 percent as a percentage of net sales in fiscal 2015 compared with fiscal 2014, primarily driven by increased markdown activities, the charges incurred related to the strategic actions, and incremental shipping costs partially due to the U.S. West Coast port congestion. Cost of goods sold as a percentage of net sales in fiscal 2015 for our foreign subsidiaries was also negatively impacted by foreign exchange as our merchandise purchases are primarily in U.S. dollars.
- Occupancy expenses increased 0.8 percentage points in fiscal 2015 compared with fiscal 2014, primarily driven by the decrease in net sales without a corresponding decrease in occupancy expenses.

Cost of goods sold and occupancy expenses increased 0.7 percentage points in fiscal 2014 compared with fiscal 2013.

- Cost of goods sold increased 0.4 percent as a percentage of net sales in fiscal 2014 compared with fiscal 2013, primarily driven by increased promotional activities and markdowns; partially offset by the reclassification of a portion of income related to our credit card program from operating expenses to cost of goods sold. Cost of goods sold as a percentage of net sales in fiscal 2014 for our foreign subsidiaries was also negatively impacted by foreign exchange as our merchandise purchases are primarily in U.S. dollars.
- Occupancy expenses increased 0.3 percentage points in fiscal 2014 compared with fiscal 2013, primarily driven by the incremental cost related to new stores without a corresponding increase in total net sales.

In fiscal 2016, we expect that gross margins will continue to be negatively impacted by the continuing depreciation of the Canadian dollar, Japanese yen, and other foreign currencies as our merchandise purchases are primarily in U.S. dollars.

Operating Expenses and Operating Margin

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Operating expenses	\$ 4,196	\$ 4,206	\$ 4,144
Operating expenses as a percentage of net sales	26.6%	25.6%	25.7%
Operating margin	9.6%	12.7%	13.3%

Operating expenses decreased \$10 million, but increased 1.0 percent as a percentage of net sales, in fiscal 2015 compared with fiscal 2014. The decrease in operating expenses was primarily due to a decrease in marketing expenses mainly at Gap and Banana Republic, lower bonus expense, and a favorable translation impact as a result of foreign exchange rate fluctuations; partially offset by charges incurred related to the strategic actions, as well as the gain on sale of a building recognized in fiscal 2014.

Operating expenses increased \$62 million, but decreased 0.1 percent as a percentage of net sales, in fiscal 2014 compared with fiscal 2013. The increase in operating expenses was primarily due to the reclassification of a portion of income related to our credit card program from operating expenses to cost of goods sold and an increase in store payroll; partially offset by the gain on sale of a building owned but no longer occupied by the Company and lower bonus expense.

Interest Expense

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Interest expense	\$ 59	\$ 75	\$ 61

Interest expense for fiscal 2015 includes \$74 million of interest on overall borrowings and obligations mainly related to our \$1.25 billion long-term debt, offset by a reversal of approximately \$15 million of interest expense primarily resulting from a favorable foreign tax ruling and actions of foreign tax authorities related to transfer pricing matters in fiscal 2015.

Interest expense for fiscal 2014 includes interest on overall borrowings and obligations mainly related to our \$1.25 billion long-term debt.

Interest expense for fiscal 2013 includes \$75 million of interest on overall borrowings and obligations mainly related to our \$1.25 billion long-term debt, offset by a net reversal of \$14 million of interest expense resulting from the favorable resolution of tax matters in fiscal 2013.

Income Taxes

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Income taxes	\$ 551	\$ 751	\$ 813
Effective tax rate	37.5%	37.3%	38.8%

The increase in the effective tax rate for fiscal 2015 compared with fiscal 2014 was primarily due to the recognition of foreign tax credits upon a distribution of certain foreign earnings that occurred during the third quarter of fiscal 2014, partially offset by the impact of the indefinite reinvestment of certain fiscal 2015 foreign earnings, which will be used to fund our international businesses and their growth.

The decrease in the effective tax rate for fiscal 2014 compared with fiscal 2013 was primarily due to the recognition of foreign tax credits upon a distribution of certain foreign earnings that occurred during the third quarter of fiscal 2014.

Liquidity and Capital Resources

Our largest source of cash flows is cash collections from the sale of our merchandise. Our primary uses of cash include merchandise inventory purchases, occupancy costs, personnel-related expenses, share repurchases, purchases of property and equipment, and payment of taxes.

We consider the following to be measures of our liquidity and capital resources:

(\$ in millions)	January 30, 2016	January 31, 2015	February 1, 2014
Cash and cash equivalents	\$ 1,370	\$ 1,515	\$ 1,510
Debt	\$ 1,731	\$ 1,353	\$ 1,394
Working capital	\$ 1,450	\$ 2,083	\$ 1,985
Current ratio	1.57:1	1.93:1	1.81:1

As of January 30, 2016, over half of our cash and cash equivalents were held in the United States and are generally accessible without any limitations.

In October 2015, the Company entered into a \$400 million unsecured term loan (the "Term Loan"). The Term Loan matures and is payable in full on October 15, 2016, but may be extended until October 15, 2017.

In January 2014, the Company entered into a 15 billion Japanese yen, four-year, unsecured term loan ("Japan Term Loan") due January 2018. A repayment of 2.5 billion Japanese yen (\$21 million as of January 30, 2016) is payable on January 15, 2017.

Working capital as of January 30, 2016 is impacted by the decrease in the operating cash flows discussed below and the adoption of the Financial Accounting Standards Board ("FASB"), accounting standard update ("ASU") No. 2015-17, Income Taxes. The adoption of the ASU was applied prospectively and reduced the current portion of deferred tax assets as a result of classifying all net deferred tax assets as noncurrent as of January 30, 2016.

We believe that current cash balances and cash flows from our operations will be sufficient to support our business operations, including growth initiatives, planned capital expenditures, and repayment of debt, for the next 12 months and beyond. We are also able to supplement near-term liquidity, if necessary, with our \$500 million revolving credit facility or other available market instruments.

Cash Flows from Operating Activities

Net cash provided by operating activities during fiscal 2015 decreased \$535 million compared with fiscal 2014, primarily due to the following:

- a decrease of \$342 million in net income;
- a decrease of \$107 million related to other current assets and other long-term assets primarily due to the change in timing of payments received related to our credit card program, which resulted in increased cash inflow in fiscal 2014; and
- a decrease of \$150 million related to lease incentives and other long-term liabilities primarily due to the receipt of an upfront payment in fiscal 2014 related to the amendment of our credit card program agreement with the third-party financing company, which is being amortized into income over the term of the contract; partially offset by
- an increase of \$63 million related to income taxes payable, net of prepaid and other tax-related items, primarily due to timing of payments.

Net cash provided by operating activities during fiscal 2014 increased \$424 million compared with fiscal 2013, primarily due to the following:

- an increase of \$284 million related to other current assets and other long-term assets primarily due to the change in timing of payments received related to our credit card program, which resulted in increased cash inflow in fiscal 2014;

- an increase of \$132 million related to lease incentives and other long-term liabilities primarily due to the receipt of an upfront payment in fiscal 2014 related to the amendment of our credit card program agreement with the third-party financing company, which is being amortized into income over the term of the contract; and
- an increase of \$184 million related to merchandise inventory primarily due to timing of receipts; partially offset by
- a decrease of \$146 million related to accounts payable primarily due to timing of payments;
- a decrease of \$28 million related to accrued expenses and other current liabilities primarily due to timing of payments; and
- a decrease of \$18 million in net income.

We fund inventory expenditures during normal and peak periods through cash flows from operating activities and available cash. Our business follows a seasonal pattern, with sales peaking during the end-of-year holiday period. The seasonality of our operations may lead to significant fluctuations in certain asset and liability accounts between fiscal year-end and subsequent interim periods.

Cash Flows from Investing Activities

Net cash used for investing activities during fiscal 2015 increased \$134 million compared with fiscal 2014, primarily due to the following:

- \$121 million of proceeds from the sale of a building owned but no longer occupied by the Company in fiscal 2014; and
- \$12 million more property and equipment purchases.

Net cash used for investing activities during fiscal 2014 decreased \$28 million compared with fiscal 2013, primarily due to the following:

- \$121 million of proceeds from the sale of a building owned but no longer occupied by the Company in fiscal 2014; partially offset by
- \$50 million less maturities of short-term investments; and
- \$44 million more property and equipment purchases.

In fiscal 2015, cash used for purchases of property and equipment was \$726 million. In fiscal 2016, we expect cash spending for purchases of property and equipment to be about \$650 million.

Cash Flows from Financing Activities

Net cash used for financing activities during fiscal 2015 decreased \$517 million compared with fiscal 2014, primarily due to the following:

- \$400 million proceeds from the issuance of short-term debt in fiscal 2015; and
- \$164 million less repurchases of common stock; partially offset by
- \$4 million net cash out flows for fiscal 2015 compared with \$38 million net cash inflows for fiscal 2014 related to issuance under share-based compensation plans and withholding tax payments related to vesting of stock units.

Net cash used for financing activities during fiscal 2014 increased \$503 million compared with fiscal 2013, primarily due to the following:

- \$200 million more repurchases of common stock;
- \$144 million proceeds from issuance of long-term debt in fiscal 2013;
- \$62 million more cash dividends paid; and
- \$59 million less net cash inflows for fiscal 2014 related to issuances under share-based compensation plans and withholding tax payments related to vesting of stock units.

Free Cash Flow

Free cash flow is a non-GAAP financial measure. We believe free cash flow is an important metric because it represents a measure of how much cash a company has available for discretionary and non-discretionary items after the deduction of capital expenditures, as we require regular capital expenditures to build and maintain stores and purchase new equipment to improve our business. We use this metric internally, as we believe our sustained ability to generate free cash flow is an important driver of value creation. However, this non-GAAP financial measure is not intended to supersede or replace our GAAP result.

The following table reconciles free cash flow, a non-GAAP financial measure, from a GAAP financial measure.

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Net cash provided by operating activities	\$ 1,594	\$ 2,129	\$ 1,705
Less: Purchases of property and equipment	(726)	(714)	(670)
Free cash flow	\$ 868	\$ 1,415	\$ 1,035

Debt and Credit Facilities

Certain financial information about the Company's debt and credit facilities is set forth under the headings "Debt" and "Credit Facilities" in Notes 4 and 5, respectively, of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

Dividend Policy

In determining whether and at what level to declare a dividend, we consider a number of factors including sustainability, operating performance, liquidity, and market conditions.

We increased our annual dividend from \$0.88 per share for fiscal 2014 to \$0.92 per share for fiscal 2015. We plan to pay an annual dividend of \$0.92 per share in fiscal 2016.

Share Repurchases

Certain financial information about the Company's share repurchases is set forth under the heading "Share Repurchases" in Note 8 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

Contractual Cash Obligations

We are party to many contractual obligations involving commitments to make payments to third parties. The following table provides summary information concerning our future contractual obligations as of January 30, 2016. These obligations impact our short-term and long-term liquidity and capital resource needs. Certain of these contractual obligations are reflected in the Consolidated Balance Sheet as of January 30, 2016, while others are disclosed as future obligations.

(\$ in millions)	Payments Due by Period				Total
	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	
Debt (1)	\$ 421	\$ 62	\$ —	\$ 1,250	\$ 1,733
Interest payments on debt	80	150	149	37	416
Operating leases (2)	1,135	2,044	1,503	2,118	6,800
Purchase obligations and commitments (3)	3,882	75	8	8	3,973
Total contractual cash obligations	\$ 5,518	\$ 2,331	\$ 1,660	\$ 3,413	\$ 12,922

(1) Represents principal maturities, excluding interest. See Note 4 of Notes to Consolidated Financial Statements.

(2) Excludes maintenance, insurance, taxes, and contingent rent obligations. See Note 11 of Notes to Consolidated Financial Statements for discussion of our operating leases.

(3) Represents estimated open purchase orders to purchase inventory as well as commitments for products and services used in the normal course of business.

There is \$82 million of long-term liabilities recorded in lease incentives and other long-term liabilities in the Consolidated Balance Sheet as of January 30, 2016 that is being excluded from the table above as the amount relates to uncertain tax positions and deferred compensation and we are not able to reasonably estimate the timing of the payments or the amount by which the liability will increase or decrease over time.

Commercial Commitments

We have commercial commitments, not reflected in the table above, that were incurred in the normal course of business to support our operations, including standby letters of credit of \$18 million, surety bonds of \$39 million, and bank guarantees of \$17 million outstanding (of which \$12 million was issued under the unsecured revolving credit facilities for our operations in foreign locations) as of January 30, 2016.

Other Cash Obligations Not Reflected in the Consolidated Balance Sheet (Off-Balance Sheet Arrangements)

The majority of our contractual obligations relate to operating leases for our stores. Future minimum lease payments represent commitments under non-cancelable operating leases and are disclosed in the table above with additional information provided under the heading "Leases" in Note 11 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

Our other off-balance sheet arrangements are disclosed under the heading "Commitments and Contingencies" in Note 15 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large, global corporation. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

Our significant accounting policies can be found under the heading "Organization and Summary of Significant Accounting Policies" in Note 1 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K. The policies and estimates discussed below include the financial statement elements that are either judgmental or involve the selection or application of alternative accounting policies and are material to our financial statements. Management has discussed the development and selection of these critical accounting policies and estimates with the Audit and Finance Committee of our Board of Directors, which has reviewed our disclosure relating to critical accounting policies and estimates in this annual report on Form 10-K.

Merchandise Inventory

We value inventory at the lower of cost or market ("LCM"), with cost determined using the weighted-average cost method. We review our inventory levels in order to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes or colors) and we primarily use promotions and markdowns to clear merchandise. We record an adjustment to inventory when future estimated selling price is less than cost. Our LCM adjustment calculation requires management to make assumptions to estimate the selling price and amount of slow-moving merchandise and broken assortments subject to markdowns, which is dependent upon factors such as historical trends with similar merchandise, inventory aging, forecasted consumer demand, and the promotional environment. In addition, we estimate and accrue shortage for the period between the last physical count and the balance sheet date. Our shortage estimate can be affected by changes in merchandise mix and changes in actual shortage trends. Historically, actual shortage has not differed materially from our estimates.

We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our LCM or inventory shortage adjustments. However, if estimates regarding consumer demand are inaccurate or actual physical inventory shortage differs significantly from our estimate, our operating results could be affected. We have not made any material changes in the accounting methodology used to calculate our LCM or inventory shortage adjustments in the past three fiscal years.

Impairment of Long-Lived Assets, Goodwill, and Intangible Assets

We review the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Events that result in an impairment review include the decision to close a store, corporate facility, or distribution center, or a significant decrease in the operating performance of the long-lived asset. Long-lived assets are considered impaired if the carrying amount exceeds the estimated undiscounted future cash flows of the asset or asset group. For impaired assets, we recognize a loss equal to the difference between the carrying amount of the asset or asset group and its estimated fair value. The estimated fair value of the asset or asset group is based on estimated discounted future cash flows of the asset or asset group using a discount rate commensurate with the related risk. The asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets. The asset group for our retail stores is reviewed for impairment primarily at the store level. Our estimate of future cash flows requires management to make assumptions and to apply judgment, including forecasting future sales and expenses and estimating useful lives of the assets. These estimates can be affected by factors such as future store results, real estate demand, and economic conditions that can be difficult to predict. We have not made any material changes in the methodology to assess and calculate impairment of long-lived assets in the past three fiscal years. We recorded a charge for the impairment of long-lived assets of \$54 million, \$10 million, and \$1 million for fiscal 2015, 2014, and 2013, respectively.

We also review the carrying amount of goodwill and other indefinite-lived intangible assets for impairment annually and whenever events or changes in circumstances indicate that it is more likely than not that the carrying amount may not be recoverable. Events that result in an impairment review include significant changes in the business climate, declines in our operating results, or an expectation that the carrying amount may not be recoverable.

In connection with the acquisitions of Athleta in September 2008 and Intermix in December 2012, we allocated \$99 million and \$81 million of the respective purchase prices to goodwill. The aggregate carrying amount of goodwill was \$180 million as of January 30, 2016. We review goodwill for impairment by first assessing qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If it is determined that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the two-step test is performed to identify potential goodwill impairment. If it is determined that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, it is unnecessary to perform the two-step goodwill impairment test. Based on certain circumstances, we may elect to bypass the qualitative assessment and proceed directly to performing the first step of the two-step goodwill impairment test. The first step of the two-step goodwill impairment test compares the fair value of the reporting unit to its carrying amount, including goodwill. The second step includes hypothetically valuing all the tangible and intangible assets of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value of the reporting unit's goodwill is compared to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, we recognize an impairment loss in an amount equal to the excess, not to exceed the carrying amount.

A reporting unit is an operating segment or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. We have deemed Athleta and Intermix to be the reporting units at which goodwill is tested for Athleta and Intermix, respectively. During the fourth quarter of fiscal 2015, we completed our annual impairment testing of goodwill and we did not recognize any impairment charges. We determined that the fair value of goodwill attributed to Athleta significantly exceeded its carrying amount as of the date of our annual impairment review. The fair value of goodwill attributed to Intermix exceeded its carrying amount by approximately 15 percent as of the date of our annual impairment review.

In connection with the acquisitions of Athleta in September 2008 and Intermix in December 2012, we allocated \$54 million and \$38 million of the respective purchase prices to trade names. The aggregate carrying amount of the trade names was \$92 million as of January 30, 2016. A trade name is considered impaired if the carrying amount exceeds its estimated fair value. If a trade name is considered impaired, we recognize a loss equal to the difference between the carrying amount and the estimated fair value of the trade name. The fair value of the trade names is determined using the relief from royalty method. During the fourth quarter of fiscal 2015, we completed our annual impairment review of the trade names and we did not recognize any impairment charges. We determined that the fair value of the Athleta trade name significantly exceeded its carrying amount as of the date of our annual impairment review. The fair value of the Intermix trade name exceeded its carrying amount by approximately 30 percent as of the date of our annual impairment review.

These analyses require management to make assumptions and to apply judgment, including forecasting future sales and expenses, and selecting appropriate discount rates and royalty rates, which can be affected by economic conditions and other factors that can be difficult to predict.

We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate impairment losses of long-lived assets, goodwill, and intangible assets. However, if actual results are not consistent with our estimates and assumptions used in the calculations, we may be exposed to impairment losses that could be material.

Revenue Recognition

While revenue recognition for the Company does not involve significant judgment, it represents an important accounting policy. We recognize revenue and the related cost of goods sold at the time the products are received by the customers. For sales transacted at stores, revenue is recognized when the customer receives and pays for the merchandise at the register. For sales where we ship the merchandise to the customer from a distribution center or store, revenue is recognized at the time we estimate the customer receives the merchandise.

We sell merchandise to franchisees under multi-year franchise agreements. We recognize revenue from sales to franchisees at the time merchandise ownership is transferred to the franchisee, which generally occurs when the merchandise reaches the franchisee's predesignated turnover point. We also receive royalties from franchisees primarily based on a percentage of the total merchandise purchased by the franchisee, net of any refunds or credits due them. Royalty revenue is recognized primarily when merchandise ownership is transferred to the franchisee.

We record an allowance for estimated returns based on our historical return patterns and various other assumptions that management believes to be reasonable. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our sales return allowance. However, if the actual rate of sales returns increases significantly, our operating results could be adversely affected. We have not made any material changes in the accounting methodology used to estimate future sales returns in the past three fiscal years.

Unredeemed Gift Cards, Gift Certificates, and Credit Vouchers

Upon issuance of a gift card, gift certificate, or credit voucher, a liability is established for its cash value. The liability is relieved and net sales are recorded upon redemption by the customer. Over time, some portion of these instruments is not redeemed ("breakage"). We determine breakage income for gift cards, gift certificates, and credit vouchers based on historical redemption patterns. Breakage income is recorded in other income, which is a component of operating expenses in the Consolidated Statements of Income, when we can determine the portion of the liability where redemption is remote, which is three years after the gift card, gift certificate, or credit voucher is issued. When breakage income is recorded, a liability is recognized for any legal obligation to remit the unredeemed portion to relevant jurisdictions. Substantially all of our gift cards, gift certificates, and credit vouchers have no expiration dates.

We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our breakage income. However, if the actual pattern of redemption for gift cards, gift certificates, and credit vouchers changes significantly, our operating results could be adversely affected. We have not made any material changes in the accounting methodology used to estimate breakage income in the past three fiscal years.

Income Taxes

We record a valuation allowance against our deferred tax assets when it is more likely than not that some portion or all of such deferred tax assets will not be realized. In determining the need for a valuation allowance, management is required to make assumptions and to apply judgment, including forecasting future income, taxable income, and the mix of income or losses in the jurisdictions in which we operate. Our effective tax rate in a given financial statement period may also be materially impacted by changes in the mix and level of income or losses, changes in the expected outcome of audits, or changes in the deferred tax valuation allowance.

At any point in time, many tax years are subject to or in the process of being audited by various taxing authorities. To the extent our estimates of settlements change or the final tax outcome of these matters is different from the amounts recorded, such differences will impact the income tax provision in the period in which such determinations are made. Our income tax expense includes changes in our estimated liability for exposures associated with our various tax filing positions. Determining the income tax expense for these potential assessments requires management to make assumptions that are subject to factors such as proposed assessments by tax authorities, changes in facts and circumstances, issuance of new regulations, and resolution of tax audits.

We believe the judgments and estimates discussed above are reasonable. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material.

Recent Accounting Pronouncements

See "Organization and Summary of Significant Accounting Policies" in Note 1 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for recent accounting pronouncements, including the expected dates of adoption and estimated effects on our Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Derivative Financial Instruments

Certain financial information about the Company's derivative financial instruments is set forth under the heading "Derivative Financial Instruments" in Note 7 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

We have performed a sensitivity analysis as of January 30, 2016 based on a model that measures the impact of a hypothetical 10 percent adverse change in foreign currency exchange rates to U.S. dollars (with all other variables held constant) on our underlying estimated major foreign currency exposures, net of derivative financial instruments. The foreign currency exchange rates used in the model were based on the spot rates in effect as of January 30, 2016. The sensitivity analysis indicated that a hypothetical 10 percent adverse movement in foreign currency exchange rates would have an unfavorable impact on the underlying cash flow exposure, net of our foreign exchange derivative financial instruments, of \$43 million as of January 30, 2016.

Debt

Certain financial information about the Company's debt is set forth under the heading "Debt" in Note 4 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

Our \$1.25 billion aggregate principal amount of 5.95 percent notes due April 2021 are not subject to interest rate risk as they have a fixed interest rate.

The \$400 million Term Loan matures and is payable in full on October 15, 2016, but may be extended until October 15, 2017. Interest is payable at least quarterly based on an interest rate equal to the London Interbank Offered Rate plus a fixed margin. The average interest rate for fiscal 2015 was 1 percent. Due to the short-term nature of the loan, we believe we have no material exposure to interest rate risk.

Our interest rate associated with a 15 billion Japanese yen, four-year, unsecured term loan as of January 30, 2016 is as follows:

(\$ in billions)	Expected Maturity Date (Fiscal Year)		Total	Fair Value (1)
	2016	2017		
Principal payments	¥ 2.5	¥ 7.5	¥ 10	¥ 10
Average interest rate (2)	1%	1%	1%	

(1) The carrying amount of the Japan Term Loan approximates its fair value as the interest rate varies depending on market rates.

(2) The average interest rate for all periods presented was calculated based on the Tokyo Interbank Offered Rate plus a fixed margin as of January 30, 2016. As the interest rate for the term loan is variable, it is subject to change for all periods presented.

Cash Equivalents

We have highly liquid fixed and variable income investments classified as cash equivalents, which are placed primarily in time deposits and money market funds. These investments are classified as held-to-maturity based on our positive intent and ability to hold the securities to maturity. We value these investments at their original purchase prices plus interest that has accrued at the stated rate. The value of our investments is not subject to material interest rate risk. However, changes in interest rates would impact the interest income derived from our investments. We earned interest income of \$6 million in fiscal 2015.

Item 8. Financial Statements and Supplementary Data.

**THE GAP, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>33</u>
<u>Consolidated Balance Sheets as of January 30, 2016 and January 31, 2015</u>	<u>34</u>
<u>Consolidated Statements of Income for the fiscal years ended January 30, 2016, January 31, 2015, and February 1, 2014</u>	<u>35</u>
<u>Consolidated Statements of Comprehensive Income for the fiscal years ended January 30, 2016, January 31, 2015, and February 1, 2014</u>	<u>36</u>
<u>Consolidated Statements of Stockholders' Equity for the fiscal years ended January 30, 2016, January 31, 2015, and February 1, 2014</u>	<u>37</u>
<u>Consolidated Statements of Cash Flows for the fiscal years ended January 30, 2016, January 31, 2015, and February 1, 2014</u>	<u>38</u>
<u>Notes to Consolidated Financial Statements</u>	<u>39</u>

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of The Gap, Inc. and its subsidiaries (the "Company") as of January 30, 2016 and January 31, 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows, for each of the three fiscal years in the period ended January 30, 2016. We also have audited the Company's internal control over financial reporting as of January 30, 2016 based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Gap, Inc. and its subsidiaries as of January 30, 2016 and January 31, 2015, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 30, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 30, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

San Francisco, California
March 21, 2016

THE GAP, INC.
CONSOLIDATED BALANCE SHEETS

(\$ and shares in millions except par value)	January 30, 2016	January 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,370	\$ 1,515
Merchandise inventory	1,873	1,889
Other current assets	742	913
Total current assets	3,985	4,317
Property and equipment, net	2,850	2,773
Other long-term assets	638	600
Total assets	<u>\$ 7,473</u>	<u>\$ 7,690</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of debt	\$ 421	\$ 21
Accounts payable	1,112	1,173
Accrued expenses and other current liabilities	979	1,020
Income taxes payable	23	20
Total current liabilities	2,535	2,234
Long-term liabilities:		
Long-term debt	1,310	1,332
Lease incentives and other long-term liabilities	1,083	1,141
Total long-term liabilities	2,393	2,473
Commitments and contingencies (see Notes 11 and 15)		
Stockholders' equity:		
Common stock \$0.05 par value		
Authorized 2,300 shares for all periods presented; Issued and Outstanding 397 and 421 shares	20	21
Retained earnings	2,440	2,797
Accumulated other comprehensive income	85	165
Total stockholders' equity	2,545	2,983
Total liabilities and stockholders' equity	<u>\$ 7,473</u>	<u>\$ 7,690</u>

See Accompanying Notes to Consolidated Financial Statements

THE GAP, INC.
CONSOLIDATED STATEMENTS OF INCOME

(\$ and shares in millions except per share amounts)	Fiscal Year		
	2015	2014	2013
Net sales	\$ 15,797	\$ 16,435	\$ 16,148
Cost of goods sold and occupancy expenses	10,077	10,146	9,855
Gross profit	5,720	6,289	6,293
Operating expenses	4,196	4,206	4,144
Operating income	1,524	2,083	2,149
Interest expense	59	75	61
Interest income	(6)	(5)	(5)
Income before income taxes	1,471	2,013	2,093
Income taxes	551	751	813
Net income	\$ 920	\$ 1,262	\$ 1,280
Weighted-average number of shares—basic	411	435	461
Weighted-average number of shares—diluted	413	440	467
Earnings per share—basic	\$ 2.24	\$ 2.90	\$ 2.78
Earnings per share—diluted	\$ 2.23	\$ 2.87	\$ 2.74

See Accompanying Notes to Consolidated Financial Statements

THE GAP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Net income	\$ 920	\$ 1,262	\$ 1,280
Other comprehensive income (loss), net of tax:			
Foreign currency translation, net of tax (tax benefit) of \$(1), \$(2), and \$5	(38)	(47)	(51)
Change in fair value of derivative financial instruments, net of tax of \$21, \$48, and \$30	60	118	48
Reclassification adjustment for realized gains on derivative financial instruments, net of tax of \$(42), \$(20), and \$(27)	(102)	(41)	(43)
Other comprehensive income (loss), net of tax	(80)	30	(46)
Comprehensive income	\$ 840	\$ 1,292	\$ 1,234

See Accompanying Notes to Consolidated Financial Statements

THE GAP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(\$ and shares in millions except per share amounts)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock		
	Shares	Amount				Shares	Amount	Total
Balance as of February 2, 2013	1,106	\$ 55	\$ 2,864	\$ 13,259	\$ 181	(643)	\$(13,465)	\$2,894
Net income				1,280				1,280
Other comprehensive loss, net of tax					(46)			(46)
Repurchases of common stock						(26)	(1,009)	(1,009)
Reissuance of treasury stock under share-based compensation plans, net of withholding tax payments related to vesting of stock units			(132)			9	229	97
Tax benefit from exercise of stock options and vesting of stock units			50					50
Share-based compensation, net of estimated forfeitures			117					117
Common stock dividends (\$0.70 per share)				(321)				(321)
Balance as of February 1, 2014	1,106	55	2,899	14,218	135	(660)	(14,245)	3,062
Net income				1,262				1,262
Other comprehensive income, net of tax					30			30
Repurchases of common stock	(29)	(1)	(155)	(973)		(1)	(35)	(1,164)
Reissuance of treasury stock under share-based compensation plans, net of shares withheld for employee taxes			(2)			1	23	21
Retirement of treasury stock	(660)	(33)	(2,897)	(11,327)		660	14,257	—
Issuance of common stock under share-based compensation plans, net of withholding tax payments related to vesting of stock units	4	—	17					17
Tax benefit from exercise of stock options and vesting of stock units			37					37
Share-based compensation, net of estimated forfeitures			101					101
Common stock dividends (\$0.88 per share)				(383)				(383)
Balance as of January 31, 2015	421	21	—	2,797	165	—	—	2,983
Net income				920				920
Other comprehensive loss, net of tax					(80)			(80)
Repurchases of common stock	(30)	(1)	(99)	(900)				(1,000)
Issuance of common stock under share-based compensation plans, net of withholding tax payments related to vesting of stock units	6	—	(4)					(4)
Tax benefit from exercise of stock options and vesting of stock units			26					26
Share-based compensation, net of estimated forfeitures			77					77
Common stock dividends (\$0.92 per share)				(377)				(377)
Balance as of January 30, 2016	397	\$ 20	\$ —	\$ 2,440	\$ 85	—	\$ —	\$2,545

See Accompanying Notes to Consolidated Financial Statements

THE GAP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Cash flows from operating activities:			
Net income	\$ 920	\$ 1,262	\$ 1,280
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	592	564	536
Amortization of lease incentives	(65)	(64)	(66)
Share-based compensation	76	100	116
Tax benefit from exercise of stock options and vesting of stock units	26	37	50
Excess tax benefit from exercise of stock options and vesting of stock units	(28)	(38)	(56)
Non-cash and other items	(72)	(56)	(60)
Deferred income taxes	101	75	69
Changes in operating assets and liabilities:			
Merchandise inventory	(6)	(9)	(193)
Other current assets and other long-term assets	133	240	(44)
Accounts payable	(47)	(41)	105
Accrued expenses and other current liabilities	(41)	(33)	(5)
Income taxes payable, net of prepaid and other tax-related items	(24)	(87)	(74)
Lease incentives and other long-term liabilities	29	179	47
Net cash provided by operating activities	<u>1,594</u>	<u>2,129</u>	<u>1,705</u>
Cash flows from investing activities:			
Purchases of property and equipment	(726)	(714)	(670)
Proceeds from sale of property and equipment	—	121	—
Maturities of short-term investments	—	—	50
Other	(4)	(3)	(4)
Net cash used for investing activities	<u>(730)</u>	<u>(596)</u>	<u>(624)</u>
Cash flows from financing activities:			
Proceeds from issuance of short-term debt	400	—	—
Proceeds from issuance of long-term debt	—	—	144
Payments of long-term debt	(21)	(21)	—
Proceeds from issuances under share-based compensation plans	65	90	142
Withholding tax payments related to vesting of stock units	(69)	(52)	(45)
Repurchases of common stock	(1,015)	(1,179)	(979)
Excess tax benefit from exercise of stock options and vesting of stock units	28	38	56
Cash dividends paid	(377)	(383)	(321)
Other	(1)	—	(1)
Net cash used for financing activities	<u>(990)</u>	<u>(1,507)</u>	<u>(1,004)</u>
Effect of foreign exchange rate fluctuations on cash and cash equivalents	(19)	(21)	(27)
Net increase (decrease) in cash and cash equivalents	(145)	5	50
Cash and cash equivalents at beginning of period	1,515	1,510	1,460
Cash and cash equivalents at end of period	<u>\$ 1,370</u>	<u>\$ 1,515</u>	<u>\$ 1,510</u>
Non-cash investing activities:			
Purchases of property and equipment not yet paid at end of period	\$ 81	\$ 73	\$ 90
Supplemental disclosure of cash flow information:			
Cash paid for interest during the period	\$ 78	\$ 77	\$ 77
Cash paid for income taxes during the period, net of refunds	\$ 452	\$ 714	\$ 805

See Accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

For the Fiscal Years Ended January 30, 2016, January 31, 2015, and February 1, 2014

Note 1. Organization and Summary of Significant Accounting Policies

Organization

The Gap, Inc., a Delaware Corporation, is a global retailer offering apparel, accessories, and personal care products for men, women, and children under the Gap, Banana Republic, Old Navy, Athleta, and Intermix brands. We have Company-operated stores in the United States, Canada, the United Kingdom, France, Ireland, Japan, Italy, China, Hong Kong, Taiwan, and beginning in October 2015, Mexico. We also have franchise agreements with unaffiliated franchisees to operate Gap, Banana Republic, and Old Navy stores in many other countries around the world. In addition, our products are available to customers online through Company-owned websites and through the use of third parties that provide logistics and fulfillment services.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of The Gap, Inc. and its subsidiaries. All intercompany transactions and balances have been eliminated.

Fiscal Year and Presentation

Our fiscal year is a 52-week or 53-week period ending on the Saturday closest to January 31. The fiscal years ended January 30, 2016 (fiscal 2015), January 31, 2015 (fiscal 2014), and February 1, 2014 (fiscal 2013) consisted of 52 weeks.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Short-Term Investments

Cash includes funds deposited in banks and amounts in transit from banks for customer credit card and debit card transactions that process in less than seven days.

All highly liquid investments with original maturities of 91 days or less are classified as cash equivalents. Highly liquid investments with original maturities of greater than 91 days that will mature less than one year from the balance sheet date are classified as short-term investments. Our cash equivalents are placed primarily in time deposits and money market funds and are classified as held-to-maturity based on our positive intent and ability to hold the securities to maturity. We value these investments at their original purchase prices plus interest that has accrued at the stated rate. Income related to these securities is recorded in interest income in the Consolidated Statements of Income.

Merchandise Inventory

We value inventory at the lower of cost or market, with cost determined using the weighted-average cost method. We record an adjustment when future estimated selling price is less than cost. We review our inventory levels in order to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes or colors) and use promotions and markdowns to clear merchandise. In addition, we estimate and accrue shortage for the period between the last physical count and the balance sheet date.

Derivative Financial Instruments

Derivative financial instruments are recorded at fair value in the Consolidated Balance Sheets as other current assets, other long-term assets, accrued expenses and other current liabilities, or lease incentives and other long-term liabilities.

For derivative financial instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative financial instruments is reported as a component of other comprehensive income ("OCI") and is recognized in income in the period in which the underlying transaction impacts the income statement. For derivative financial instruments that are designated and qualify as net investment hedges, the effective portion of the gain or loss on the derivative financial instruments is reported as a component of OCI and is reclassified into income in the period or periods during which the hedged subsidiary is either sold or liquidated (or substantially liquidated). Gains and losses on the derivative financial instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness, if any, are recognized in current income. For derivative financial instruments not designated as hedging instruments, the gain or loss on the derivative financial instruments is recorded in operating expenses in the Consolidated Statements of Income. Cash flows from derivative financial instruments are classified as cash flows from operating activities in the Consolidated Statements of Cash Flows.

Property and Equipment

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

<u>Category</u>	<u>Term</u>
Leasehold improvements	Shorter of remaining lease term or economic life, up to 15 years
Furniture and equipment	Up to 15 years
Buildings and building improvements	Up to 39 years
Software	3 to 7 years

When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts, with any resulting gain or loss recorded in operating expenses in the Consolidated Statements of Income. Costs of maintenance and repairs are expensed as incurred.

Insurance and Self-Insurance

We retain a portion of the risk for certain losses related to employee health and welfare, workers' compensation, general, and other liability claims. Undiscounted liabilities associated with these programs are estimated based primarily on actuarially-determined amounts and are accrued in part by considering historical claims experience, demographic factors, severity factors, and other actuarial assumptions. These insurance liabilities are recorded in accrued expenses and other current liabilities and lease incentives and other long-term liabilities in the Consolidated Balance Sheets.

Asset Retirement Obligations

An asset retirement obligation represents a legal obligation associated with the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development, or normal operation of that long-lived asset. The Company's asset retirement obligations are primarily associated with leasehold improvements that we are contractually obligated to remove at the end of a lease to comply with the lease agreement. We recognize asset retirement obligations at the inception of a lease with such conditions if a reasonable estimate of fair value can be made. The asset retirement obligation is recorded in accrued expenses and other current liabilities and lease incentives and other long-term liabilities in the Consolidated Balance Sheets and is subsequently adjusted for changes in estimated asset retirement obligations. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

Revenue Recognition

Revenue is recognized for sales transacted at stores when the customer receives and pays for the merchandise at the register. For sales where we ship the merchandise to the customer from a distribution center or store, revenue is recognized at the time we estimate the customer receives the product. Amounts related to shipping and handling that are billed to customers are recorded in net sales, and the related costs are recorded in cost of goods sold and occupancy expenses in the Consolidated Statements of Income. Revenues are presented net of estimated returns and any taxes collected from customers and remitted to governmental authorities. Allowances for estimated returns are recorded based on estimated margin using our historical return patterns.

We sell merchandise to franchisees under multi-year franchise agreements. We recognize revenue from sales to franchisees at the time merchandise ownership is transferred to the franchisee, which generally occurs when the merchandise reaches the franchisee's predesignated turnover point. These sales are recorded in net sales, and the related cost of goods sold is recorded in cost of goods sold and occupancy expenses in the Consolidated Statements of Income. We also receive royalties from franchisees primarily based on a percentage of the total merchandise purchased by the franchisee, net of any refunds or credits due them. Royalty revenue is recognized primarily when merchandise ownership is transferred to the franchisee and is recorded in net sales in the Consolidated Statements of Income.

Classification of Expenses

Cost of goods sold and occupancy expenses include the following:

- the cost of merchandise;
- inventory shortage and valuation adjustments;
- freight charges;
- shipping and handling costs;
- costs associated with our sourcing operations, including payroll and related benefits;
- production costs;
- insurance costs related to merchandise; and
- rent, occupancy, depreciation, and amortization related to our store operations, distribution centers, and certain corporate functions.

Operating expenses include the following:

- payroll and related benefits (for our store operations, field management, distribution centers, and corporate functions);
- marketing;
- general and administrative expenses;
- costs to design and develop our products;
- merchandise handling and receiving in distribution centers;
- distribution center general and administrative expenses;
- rent, occupancy, depreciation, and amortization for our corporate facilities; and
- other expenses (income).

Merchandise handling and receiving expenses and distribution center general and administrative expenses recorded in operating expenses were \$254 million, \$255 million, and \$243 million in fiscal 2015, 2014, and 2013, respectively. We receive payments from third parties that provide our customers with private label credit cards and/or co-branded credit cards. The majority of such cash receipts are recorded in other income, which is a component of operating expenses, and the remaining portion of income is recognized as a reduction to cost of goods sold and occupancy expenses.

The classification of expenses varies across the apparel retail industry. Accordingly, our cost of goods sold and occupancy expenses and operating expenses may not be comparable to those of other companies.

Rent Expense

Minimum rent expense is recognized over the term of the lease, starting when possession of the property is taken from the landlord, which normally includes a construction period prior to the store opening. When a lease contains a predetermined fixed escalation of the minimum rent, we recognize the related rent expense on a straight-line basis and record the difference between the recognized rent expense and the amounts payable under the lease as a short-term or long-term deferred rent liability. We also receive tenant allowances upon entering into certain leases, which are recorded as a short-term or long-term tenant allowance liability and amortized using the straight-line method as a reduction to rent expense over the term of the lease. A co-tenancy failure by our landlord during the lease term may result in a reduction of the required cash payments made to the landlord for the duration of the co-tenancy failure and is recorded as a reduction to rent expense as the reduced cash payments are made. Costs related to common area maintenance, insurance, real estate taxes, and other occupancy costs the Company is obligated to pay are excluded from minimum rent expense.

Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are primarily based on a percentage of sales that are in excess of a predetermined level and/or rent increase based on a change in the consumer price index or fair market value. These amounts are excluded from minimum rent and are included in the determination of rent expense when it is probable that the expense has been incurred and the amount can be reasonably estimated.

Impairment of Long-Lived Assets

We review the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events that result in an impairment review include the decision to close a store, corporate facility, or distribution center, or a significant decrease in the operating performance of the long-lived asset. Long-lived assets are considered impaired if the carrying amount exceeds the estimated undiscounted future cash flows of the asset or asset group. For impaired assets, we recognize a loss equal to the difference between the carrying amount of the asset or asset group and its estimated fair value, which is recorded in operating expenses in the Consolidated Statements of Income. The estimated fair value of the asset or asset group is based on discounted future cash flows of the asset or asset group using a discount rate commensurate with the related risk. The asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets, which for our retail stores is primarily at the store level.

Goodwill and Intangible Assets

We review the carrying amount of goodwill and other indefinite-lived intangible assets for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Events that result in an impairment review include significant changes in the business climate, declines in our operating results, or an expectation that the carrying amount may not be recoverable. We assess potential impairment by considering present economic conditions as well as future expectations.

We review goodwill for impairment by first assessing qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If it is determined that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the two-step test is performed to identify potential goodwill impairment. If it is determined that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, it is unnecessary to perform the two-step goodwill impairment test. Based on certain circumstances, we may elect to bypass the qualitative assessment and proceed directly to performing the first step of the two-step goodwill impairment test. The first step of the two-step goodwill impairment test compares the fair value of the reporting unit to its carrying amount, including goodwill. The second step includes hypothetically valuing all the tangible and intangible assets of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value of the reporting unit's goodwill is compared to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, we recognize an impairment loss in an amount equal to the excess, not to exceed the carrying amount.

A reporting unit is an operating segment or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. We have deemed Athleta and Intermix to be the reporting units at which goodwill is tested for Athleta and Intermix, respectively.

A trade name is considered impaired if the carrying amount exceeds its estimated fair value. If a trade name is considered impaired, we recognize a loss equal to the difference between the carrying amount and the estimated fair value of the trade name. The fair value of a trade name is determined using the relief from royalty method, which requires management to make assumptions and to apply judgment, including forecasting future sales and expenses, and selecting appropriate discount rates and royalty rates.

Goodwill and other indefinite-lived intangible assets, including the trade names, are recorded in other long-term assets in the Consolidated Balance Sheets.

Pre-Opening Costs

Pre-opening and start-up activity costs, which include rent and occupancy, supplies, advertising, and payroll expenses incurred prior to the opening of a new store or other facility, are expensed in the period in which they occur.

Advertising

Costs associated with the production of advertising, such as writing, copy, printing, and other costs, are expensed as incurred. Costs associated with communicating advertising that has been produced, such as television and magazine costs, are expensed when the advertising event takes place. Advertising expense was \$578 million, \$639 million, and \$637 million in fiscal 2015, 2014, and 2013, respectively, and is recorded in operating expenses in the Consolidated Statements of Income.

Prepaid catalog expense consists of the cost to prepare, print, and distribute catalogs. Such costs are recorded in other current assets in the Consolidated Balance Sheets and amortized over their expected period of future benefit, which is approximately one to eight months.

Share-Based Compensation

Share-based compensation expense for stock options and other stock awards is determined based on the grant-date fair value. We use the Black-Scholes-Merton option-pricing model to determine the fair value of stock options, which requires the input of subjective assumptions regarding the expected term, expected volatility, dividend yield, and risk-free interest rate. For units granted whereby one share of common stock is issued for each unit as the unit vests ("Stock Units"), the fair value is determined based on the Company's stock price on the date of grant less future expected dividends during the vesting period. For stock options and Stock Units, we recognize share-based compensation cost net of estimated forfeitures and revise the estimates in subsequent periods if actual forfeitures differ from the estimates. We estimate the forfeiture rate based on historical data as well as expected future behavior. Share-based compensation expense is recorded primarily in operating expenses in the Consolidated Statements of Income over the period during which the employee is required to provide service in exchange for stock options and Stock Units.

Unredeemed Gift Cards, Gift Certificates, and Credit Vouchers

Upon issuance of a gift card, gift certificate, or credit voucher, a liability is established for its cash value. The liability is relieved and net sales are recorded upon redemption by the customer. Over time, some portion of these instruments is not redeemed. We determine breakage income for gift cards, gift certificates, and credit vouchers based on historical redemption patterns. Breakage income is recorded in other income, which is a component of operating expenses in the Consolidated Statements of Income, when we can determine the portion of the liability where redemption is remote. Based on our historical information, three years after the gift card, gift certificate, or credit voucher is issued, we can determine the portion of the liability where redemption is remote. When breakage income is recorded, a liability is recognized for any legal obligation to remit the unredeemed portion to relevant jurisdictions. Substantially all of our gift cards, gift certificates, and credit vouchers have no expiration dates.

Credit Cards

We have credit card agreements (the "Agreements") with third parties to provide our customers with private label credit cards and/or co-branded credit cards (collectively, the "Credit Cards"). Each private label credit card bears the logo of Gap, Banana Republic, Old Navy, or Athleta and can be used at any of our U.S. or Canadian store locations and online. The co-branded credit card is a VISA credit card bearing the logo of Gap, Banana Republic, Old Navy, or Athleta and can be used everywhere VISA credit cards are accepted. A third-party financing company is the sole owner of the accounts and underwrites the credit issued under the Credit Card programs. We receive cash in accordance with the Agreements based on usage of the Credit Cards or specified transactional fees. We recognize income for such cash receipts when the amounts are fixed or determinable and collectibility is reasonably assured, which is generally the time at which the actual usage of the Credit Cards or specified transaction occurs. The majority of the income is recorded in other income, which is a component of operating expenses in our Consolidated Statements of Income, and the remaining portion of income is recognized as a reduction to cost of goods sold and occupancy expenses in our Consolidated Statements of Income.

The Credit Card programs offer incentives to cardholders in the form of reward certificates upon the cumulative purchase of an established amount. The cost associated with reward points and certificates is accrued as the rewards are earned by the cardholder and is recorded in accrued expenses and other current liabilities in the Consolidated Balance Sheets and in cost of goods sold and occupancy expenses in the Consolidated Statements of Income. Other administrative costs related to the Credit Card programs, including payroll, marketing expenses, and other direct costs, are recorded in operating expenses in the Consolidated Statements of Income.

Earnings per Share

Basic earnings per share is computed as net income divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed as net income divided by the weighted-average number of common shares outstanding for the period including common stock equivalents. Common stock equivalents consist of shares subject to share-based awards with exercise prices less than the average market price of our common stock for the period, to the extent their inclusion would be dilutive. Stock options and other stock awards that contain performance conditions are not included in the calculation of common stock equivalents until such performance conditions have been achieved.

Foreign Currency

Our international subsidiaries primarily use local currencies as their functional currency and translate their assets and liabilities at the current rate of exchange in effect at the balance sheet date. Revenue and expenses from their operations are translated using rates that approximate those in effect during the period in which the transactions occur. The resulting gains and losses from translation are recorded in the Consolidated Statements of Comprehensive Income and in accumulated OCI in the Consolidated Statements of Stockholders' Equity. Transaction gains and losses resulting from intercompany balances of a long-term investment nature are also classified as accumulated OCI. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are included in the Consolidated Statements of Income.

The aggregate transaction gains and losses recorded in operating expenses in the Consolidated Statements of Income are as follows:

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Foreign currency transaction gain (loss)	\$ (6)	\$ (34)	\$ 1
Realized and unrealized gain from certain derivative financial instruments	25	28	16
Net foreign exchange gain (loss)	<u>\$ 19</u>	<u>\$ (6)</u>	<u>\$ 17</u>

Income Taxes

Deferred income taxes are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the Consolidated Financial Statements. A valuation allowance is established against deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Our income tax expense includes changes in our estimated liability for exposures associated with our various tax filing positions. At any point in time, many tax years are subject to or in the process of being audited by various taxing authorities. To the extent our estimates of settlements change or the final tax outcome of these matters is different from the amounts recorded, such differences will impact the income tax provision in the period in which such determinations are made.

The Company recognizes interest related to unrecognized tax benefits in interest expense and penalties related to unrecognized tax benefits in operating expenses in the Consolidated Statements of Income.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers, Deferral of the Effective Date, which defers the effective date of the new revenue recognition standard by one year. As a result, the ASU No. 2014-09 is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. We are currently assessing the potential impact of this ASU on our Consolidated Financial Statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The ASU is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2015. We do not expect the adoption of this ASU to have a material impact on our Consolidated Financial Statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory, Simplifying the Measurement of Inventory, which requires an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2016. We do not expect the adoption of this ASU to have a material impact on our Consolidated Financial Statements.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes, which changes how deferred taxes are classified on the balance sheet. The ASU eliminates the requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2016. Early adoption is permitted under this ASU. We adopted ASU No. 2015-17 prospectively effective January 30, 2016. Adoption of this ASU resulted in a reclassification of our net current deferred tax assets to the net noncurrent deferred tax assets in our Consolidated Balance Sheet as of January 30, 2016. No prior periods were retrospectively adjusted.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. The new guidance is intended to improve the recognition and measurement of financial instruments. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017. We are currently assessing the potential impact of this ASU on our Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2018. We are currently assessing the impact of this ASU on our Consolidated Financial Statements, but expect that it will result in a significant increase in our long-term assets and liabilities.

In March 2016, the FASB issued ASU No. 2016-06, Derivatives and Hedging: Contingent Put and Call Options in Debt Instruments. The amendments clarify the steps required to assess whether a call or put option meets the criteria for bifurcation as an embedded derivative. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2016. We do not expect the adoption of this ASU to have a material impact on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The effective date for this ASU is the same as the effective date for ASU 2014-09, Revenue from Contracts with Customers. We are currently assessing the potential impact of this ASU on our Consolidated Financial Statements.

Note 2. Additional Financial Statement Information

Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

(\$ in millions)	January 30, 2016	January 31, 2015
Cash (1)	\$ 853	\$ 1,086
Bank certificates of deposit and time deposits	313	341
Money market funds	204	88
Cash equivalents	517	429
Cash and cash equivalents	\$ 1,370	\$ 1,515

(1) Cash includes \$64 million and \$77 million of amounts in transit from banks for customer credit card and debit card transactions as of January 30, 2016 and January 31, 2015, respectively.

We did not record any impairment charges on our cash equivalents in fiscal 2015, 2014, or 2013.

Other Current Assets

Other current assets consist of the following:

(\$ in millions)	January 30, 2016	January 31, 2015
Accounts receivable	\$ 282	\$ 275
Prepaid minimum rent and occupancy expenses	155	149
Prepaid income taxes	142	148
Current portion of deferred tax assets (1)	—	142
Derivative financial instruments	85	134
Other	78	65
Other current assets	\$ 742	\$ 913

(1) We adopted ASU No. 2015-17, Income Taxes, effective January 30, 2016 on a prospective basis. Adoption of this ASU resulted in a reclassification of our net current deferred tax assets to the net noncurrent deferred tax assets recorded in other long-term assets in our Consolidated Balance Sheet as of January 30, 2016.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and consist of the following:

(\$ in millions)	January 30, 2016	January 31, 2015
Leasehold improvements	\$ 3,252	\$ 3,220
Furniture and equipment	2,603	2,560
Software	1,433	1,349
Land, buildings, and building improvements	1,019	1,009
Construction-in-progress	187	167
Property and equipment, at cost	8,494	8,305
Less: Accumulated depreciation	(5,644)	(5,532)
Property and equipment, net of accumulated depreciation	\$ 2,850	\$ 2,773

Depreciation expense for property and equipment was \$588 million, \$560 million, and \$530 million for fiscal 2015, 2014, and 2013, respectively.

Interest of \$8 million, \$7 million, and \$8 million related to assets under construction was capitalized in fiscal 2015, 2014, and 2013, respectively.

We recorded a charge for the impairment of long-lived assets of \$54 million, \$10 million, and \$1 million for fiscal 2015, 2014, and 2013, respectively, primarily related to store assets, which is recorded in operating expenses in the Consolidated Statements of Income.

Other Long-Term Assets

Other long-term assets consist of the following:

(\$ in millions)	January 30, 2016	January 31, 2015
Long-term income tax-related assets (1)	\$ 189	\$ 124
Goodwill	180	180
Trade names	92	92
Other	177	204
Other long-term assets	<u>\$ 638</u>	<u>\$ 600</u>

(1) We adopted ASU No. 2015-17, Income Taxes, effective January 30, 2016 on a prospective basis. Adoption of this ASU resulted in a reclassification of our net current deferred tax assets to the net noncurrent deferred tax assets recorded in other long-term assets in our Consolidated Balance Sheet as of January 30, 2016.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

(\$ in millions)	January 30, 2016	January 31, 2015
Unredeemed gift cards, gift certificates, and credit vouchers, net of breakage	\$ 254	\$ 251
Accrued compensation and benefits	230	278
Short-term deferred rent and tenant allowances	100	102
Other	395	389
Accrued expenses and other current liabilities	<u>\$ 979</u>	<u>\$ 1,020</u>

No other individual items accounted for greater than five percent of total current liabilities as of January 30, 2016 or January 31, 2015.

Lease Incentives and Other Long-Term Liabilities

Lease incentives and other long-term liabilities consist of the following:

(\$ in millions)	January 30, 2016	January 31, 2015
Long-term deferred rent and tenant allowances	\$ 776	\$ 773
Long-term asset retirement obligations	70	63
Long-term income tax-related liabilities	49	93
Other	188	212
Lease incentives and other long-term liabilities	<u>\$ 1,083</u>	<u>\$ 1,141</u>

The activity related to asset retirement obligations includes adjustments to the asset retirement obligation balance and fluctuations in foreign currency exchange rates. The activity was not material for fiscal 2015 or 2014.

Sales Return Allowance

A summary of activity in the sales return allowance account is as follows:

(\$ in millions)	January 30, 2016	January 31, 2015	February 1, 2014
Balance at beginning of fiscal year	\$ 29	\$ 26	\$ 27
Additions	865	896	896
Returns	(867)	(893)	(897)
Balance at end of fiscal year	<u>\$ 27</u>	<u>\$ 29</u>	<u>\$ 26</u>

Sales return allowances are recorded in accrued expenses and other current liabilities in the Consolidated Balance Sheets.

Note 3. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of the following and are included in other long-term assets in the Consolidated Balance Sheets:

(\$ in millions)	January 30, 2016	January 31, 2015
Goodwill	<u>\$ 180</u>	<u>\$ 180</u>
Trade names	<u>\$ 92</u>	<u>\$ 92</u>
Other indefinite-lived intangible assets	<u>\$ 4</u>	<u>\$ 6</u>
Intangible assets subject to amortization	<u>\$ 18</u>	<u>\$ 18</u>
Less: Accumulated amortization	<u>(17)</u>	<u>(17)</u>
Intangible assets subject to amortization, net	<u>\$ 1</u>	<u>\$ 1</u>

Goodwill

Goodwill consists of \$99 million and \$81 million related to Athleta and Intermix, respectively, as of January 30, 2016 and January 31, 2015. During the fourth quarter of fiscal 2015, we completed our annual impairment test of goodwill and we did not recognize any impairment charges.

Other Intangible Assets

Trade names consist of \$54 million and \$38 million related to Athleta and Intermix, respectively, as of January 30, 2016 and January 31, 2015. During the fourth quarter of fiscal 2015, we completed our annual impairment test of trade names and we did not recognize any impairment charges.

The intangible assets subject to amortization consist of customer relationships and non-compete agreements related to Athleta and Intermix of \$15 million and \$3 million, respectively. Athleta's intangible assets subject to amortization were fully amortized by the end of fiscal 2012. Intermix's non-compete agreements were fully amortized by the end of fiscal 2013 and its customer relationships will be fully amortized by the end of fiscal 2016.

There was no material amortization expense for intangible assets subject to amortization recorded in operating expenses in the Consolidated Statements of Income for fiscal 2015 and 2014.

Note 4. Debt

Long-term debt consists of the following:

(\$ in millions)	January 30, 2016	January 31, 2015
Notes	\$ 1,248	\$ 1,247
Japan Term Loan	83	106
Total long-term debt	1,331	1,353
Less: Current portion	(21)	(21)
Total long-term debt, less current portion	\$ 1,310	\$ 1,332

We have \$1.25 billion aggregate principal amount of 5.95 percent notes (the "Notes") due April 2021. Interest is payable semi-annually on April 12 and October 12 of each year, and we have an option to call the Notes in whole or in part at any time, subject to a make-whole premium. The Notes agreement is unsecured and does not contain any financial covenants. The amount recorded in long-term debt in the Consolidated Balance Sheets for the Notes is equal to the aggregate principal amount of the Notes, net of the unamortized discount. As of January 30, 2016 and January 31, 2015, the estimated fair value of the Notes was \$1.29 billion and \$1.44 billion, respectively, and was based on the quoted market price of the Notes (level 1 inputs) as of the last business day of the respective fiscal year.

In January 2014, we entered into a 15 billion Japanese yen, four-year, unsecured term loan due January 2018. Repayments of 2.5 billion Japanese yen (\$21 million as of January 30, 2016) are payable on January 15 of each year, and commenced on January 15, 2015, with a final repayment of 7.5 billion Japanese yen (\$62 million as of January 30, 2016) due on January 15, 2018. In addition, interest is payable at least quarterly based on an interest rate equal to the Tokyo Interbank Offered Rate plus a fixed margin. The average interest rate for fiscal 2015 was 1 percent. The carrying amount of the Japan Term Loan as of January 30, 2016 approximated its fair value, as the interest rate varies depending on quoted market rates (level 1 inputs). The Japan Term Loan agreement contains certain requirements, including that the covenants in our \$500 million, five-year, unsecured revolving credit facility are upheld. As of January 30, 2016, we were in compliance with all such covenants. Violation of these covenants would result in a default under the Japan Term Loan agreement, which, at the bank's discretion, could require the immediate repayment of outstanding amounts.

In October 2015, we entered into a \$400 million unsecured Term Loan. The Term Loan matures and is payable in full on October 15, 2016, but may be extended until October 15, 2017. As of January 30, 2016, the carrying amount of our \$400 million Term Loan approximated its fair value due to the short-term nature of the loan. Interest is payable at least quarterly based on an interest rate equal to the London Interbank Offered Rate ("LIBOR") plus a fixed margin. The average interest rate for fiscal 2015 was 1 percent. The Term Loan is included in current maturities of debt in the Consolidated Balance Sheet.

Note 5. Credit Facilities

We have a \$500 million, five-year, unsecured revolving credit facility (the "Facility"), which was set to expire in May 2018. On May 20, 2015, the Facility was amended under substantially similar terms to extend the expiration date to May 2020 and improve the pricing structure. The Facility is available for general corporate purposes including working capital, trade letters of credit, and standby letters of credit. The Facility fees fluctuate based on our long-term senior unsecured credit ratings and our leverage ratio. If we were to draw on the Facility, interest would be a base rate (typically LIBOR) plus a margin based on our long-term senior unsecured credit ratings and our leverage ratio on the unpaid principal amount. To maintain availability of funds under the Facility, we pay a facility fee on the full facility amount, regardless of usage. As of January 30, 2016, there were no borrowings and no material outstanding standby letters of credit under the Facility.

As of January 30, 2016, Standard & Poor's, Moody's, and Fitch rate us at BBB-, Baa2, and BBB-, respectively. Any future change in the Standard & Poor's or Moody's ratings could change any future interest expense if we were to draw on the Facility.

We maintain multiple agreements with third parties that make unsecured revolving credit facilities available for our operations in foreign locations (the "Foreign Facilities"). These Foreign Facilities are uncommitted and are generally available for borrowings, overdraft borrowings, and the issuance of bank guarantees. The total capacity of the Foreign Facilities was \$47 million as of January 30, 2016. As of January 30, 2016, there were no borrowings under the Foreign Facilities. There were \$12 million in bank guarantees issued and outstanding primarily related to store leases under the Foreign Facilities as of January 30, 2016.

We have bilateral unsecured standby letter of credit agreements that are uncommitted and do not have expiration dates. As of January 30, 2016, we had \$18 million in standby letters of credit issued under these agreements. We also have a \$50 million, two-year, unsecured committed letter of credit agreement, which expires in September 2016. We had no trade letters of credit issued under this letter of credit agreement as of January 30, 2016.

The Facility and the unsecured committed letter of credit agreement contain financial and other covenants including, but not limited to, limitations on liens and subsidiary debt, as well as the maintenance of two financial ratios—a minimum annual fixed charge coverage ratio of 2.00 and a maximum annual leverage ratio of 2.25. As of January 30, 2016, we were in compliance with all such covenants. Violation of these covenants could result in a default under the Facility and letter of credit agreement, which would permit the participating banks to terminate our ability to access the Facility for letters of credit and advances, terminate our ability to request letters of credit under the letter of credit agreement, require the immediate repayment of any outstanding advances under the Facility, and require the immediate posting of cash collateral in support of any outstanding letters of credit under the letter of credit agreement.

Note 6. Fair Value Measurements

There were no purchases, sales, issuances, or settlements related to recurring level 3 measurements during fiscal 2015 or 2014. There were no transfers into or out of level 1 and level 2 during fiscal 2015 or 2014.

Financial Assets and Liabilities

Financial assets and liabilities measured at fair value on a recurring basis and cash equivalents held at amortized cost are as follows:

(\$ in millions)	January 30, 2016	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 517	\$ 204	\$ 313	\$ —
Derivative financial instruments	93	—	93	—
Deferred compensation plan assets	37	37	—	—
Total	\$ 647	\$ 241	\$ 406	\$ —
Liabilities:				
Derivative financial instruments	\$ 3	\$ —	\$ 3	\$ —

(\$ in millions)	January 31, 2015	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 429	\$ 88	\$ 341	\$ —
Derivative financial instruments	157	—	157	—
Deferred compensation plan assets	40	40	—	—
Total	\$ 626	\$ 128	\$ 498	\$ —
Liabilities:				
Derivative financial instruments	\$ 1	\$ —	\$ 1	\$ —

We have highly liquid investments classified as cash equivalents, which are placed primarily in time deposits and money market funds. These investments are classified as held-to-maturity based on our positive intent and ability to hold the securities to maturity. We value these investments at their original purchase prices plus interest that has accrued at the stated rate.

Derivative financial instruments primarily include foreign exchange forward contracts. The principal currencies hedged against changes in the U.S. dollar are British pounds, Canadian dollars, Euro, and Japanese yen. The fair value of the Company's derivative financial instruments is determined using pricing models based on current market rates. Derivative financial instruments in an asset position are recorded in other current assets or other long-term assets in the Consolidated Balance Sheets. Derivative financial instruments in a liability position are recorded in accrued expenses and other current liabilities or lease incentives and other long-term liabilities in the Consolidated Balance Sheets.

We maintain the Gap Inc. Deferred Compensation Plan ("DCP"), which allows eligible employees and non-employee directors to defer compensation up to a maximum amount. Plan investments are recorded at market value and are designated for the DCP. The fair value of the Company's DCP assets is determined based on quoted market prices, and the assets are recorded in other long-term assets in the Consolidated Balance Sheets.

Nonfinancial Assets

In June 2015, the Company announced a series of strategic actions to position Gap brand for improved business performance in the future, including its plan to close about 175 Gap brand specialty stores in North America and a limited number of stores in Europe and Asia over the next few years. As a result of the strategic actions, in fiscal 2015, we recorded an impairment charge of \$38 million related to long-lived assets. We also recorded an impairment charge of \$16 million for long-lived assets that were unrelated to the Gap brand strategic actions.

As discussed in Note 2 of Notes to Consolidated Financial Statements, we recorded a total charge for the impairment of long-lived assets of \$54 million, \$10 million, and \$1 million in fiscal 2015, 2014, and 2013, respectively. The impairment charge reduced the then carrying amount of the applicable long-lived assets of \$62 million, \$11 million, and \$2 million to their fair value of \$8 million, \$1 million, and \$1 million during fiscal 2015, 2014, and 2013, respectively. The fair value of the long-lived assets was determined using level 3 inputs and the valuation techniques discussed in Note 1 of Notes to Consolidated Financial Statements.

In fiscal 2015, we also recorded an impairment charge of \$5 million related to an indefinite-lived intangible asset as a result of the strategic actions discussed above. The impairment charge was recorded in operating expenses in the Consolidated Statement of Income and reduced the then carrying amount of the applicable indefinite-lived intangible asset of \$6 million to its fair value of \$1 million during fiscal 2015. There were no impairment charges recorded for other indefinite-lived intangible assets for fiscal 2014 or 2013.

There were no impairment charges recorded for goodwill for fiscal 2015, 2014, or 2013.

Note 7. Derivative Financial Instruments

We operate in foreign countries, which exposes us to market risk associated with foreign currency exchange rate fluctuations. We use derivative financial instruments to manage our exposure to foreign currency exchange rate risk and do not enter into derivative financial contracts for trading purposes. Consistent with our risk management guidelines, we hedge a portion of our transactions related to merchandise purchases for foreign operations and certain intercompany transactions using foreign exchange forward contracts. These contracts are entered into with large, reputable financial institutions that are monitored for counterparty risk. The principal currencies hedged against changes in the U.S. dollar are British pounds, Canadian dollars, Euro, and Japanese yen.

Cash Flow Hedges

We designate the following foreign exchange forward contracts as cash flow hedges: (1) forward contracts used to hedge forecasted merchandise purchases and related costs denominated in U.S. dollars made by our international subsidiaries whose functional currencies are their local currencies; (2) forward contracts used to hedge forecasted intercompany royalty payments denominated in foreign currencies received by entities whose functional currencies are U.S. dollars; and (3) forward contracts used to hedge forecasted intercompany revenue transactions related to merchandise sold from our regional purchasing entities, whose functional currency is the U.S. dollar, to certain international subsidiaries in their local currencies. The foreign exchange forward contracts entered into to hedge forecasted merchandise purchases and related costs, intercompany royalty payments, and intercompany revenue transactions generally have terms of up to 24 months.

There were no material amounts recorded in income for fiscal 2015, 2014, or 2013 as a result of our analysis of hedge ineffectiveness, hedge components excluded from the assessment of effectiveness, or the discontinuance of cash flow hedges because the forecasted transactions were no longer probable.

Net Investment Hedges

We also use foreign exchange forward contracts to hedge the net assets of international subsidiaries to offset the foreign currency translation and economic exposures related to our investment in the subsidiaries.

There were no material amounts recorded in income for fiscal 2015, 2014, or 2013 as a result of our analysis of hedge ineffectiveness, hedge components excluded from the assessment of effectiveness, or the discontinuance of net investment hedges.

Other Derivatives Not Designated as Hedging Instruments

We use foreign exchange forward contracts to hedge our market risk exposure associated with foreign currency exchange rate fluctuations for certain intercompany balances denominated in currencies other than the functional currency of the entity with the intercompany balance. The gain or loss on the derivative financial instruments, as well as the remeasurement of the underlying intercompany balances, is recorded in operating expenses in the Consolidated Statements of Income in the same period and generally offset. We generally enter into foreign exchange forward contracts as needed to hedge intercompany balances that bear foreign exchange risk.

Outstanding Notional Amounts

As of January 30, 2016 and January 31, 2015, we had foreign exchange forward contracts outstanding in the following notional amounts:

(notional amounts in millions)	January 30, 2016		January 31, 2015	
U.S. dollars (1)	\$	1,542	\$	1,395
British pounds	£	1	£	—
Canadian dollars	C\$	40	C\$	14
Euro	€	—	€	1

(1) The principal currencies hedged against changes in the U.S. dollar were British pounds, Canadian dollars, Euro, and Japanese yen.

Quantitative Disclosures about Derivative Financial Instruments

The fair values of foreign exchange forward contracts are as follows:

(\$ in millions)	January 30, 2016	January 31, 2015
Derivatives designated as cash flow hedges:		
Other current assets	\$ 71	\$ 115
Other long-term assets	\$ 8	\$ 23
Accrued expenses and other current liabilities	\$ 1	\$ —
Lease incentives and other long-term liabilities	\$ 1	\$ —
Derivatives designated as net investment hedges:		
Other current assets	\$ 1	\$ 1
Other long-term assets	\$ —	\$ —
Accrued expenses and other current liabilities	\$ —	\$ —
Lease incentives and other long-term liabilities	\$ —	\$ —
Derivatives not designated as hedging instruments:		
Other current assets	\$ 13	\$ 18
Other long-term assets	\$ —	\$ —
Accrued expenses and other current liabilities	\$ 1	\$ 1
Lease incentives and other long-term liabilities	\$ —	\$ —
Total derivatives in an asset position	\$ 93	\$ 157
Total derivatives in a liability position	\$ 3	\$ 1

The majority of the unrealized gains and losses from designated cash flow hedges as of January 30, 2016 will be recognized in income within the next 12 months at the then-current values, which may differ from the fair values as of January 30, 2016 shown above.

Our foreign exchange forward contracts are subject to master netting arrangements with each of our counterparties and such arrangements are enforceable in the event of default or early termination of the contract. We do not elect to offset the fair values of our derivative financial instruments in the Consolidated Balance Sheets, and as such, the fair values shown above represent gross amounts. The amounts subject to enforceable master netting arrangements are \$2 million and \$1 million as of January 30, 2016 and January 31, 2015, respectively. If we did elect to offset, the net amounts of our derivative financial instruments in an asset position would be \$91 million and \$156 million and the net amounts of the derivative financial instruments in a liability position would be \$1 million and zero as of January 30, 2016 and January 31, 2015, respectively.

See Note 6 of Notes to Consolidated Financial Statements for disclosures on the fair value measurements of our derivative financial instruments.

The effective portion of gains and losses on foreign exchange forward contracts in cash flow hedging and net investment hedging relationships recorded in OCI and the Consolidated Statements of Income, on a pre-tax basis, are as follows:

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Derivatives in cash flow hedging relationships:			
Gain recognized in other comprehensive income	\$ 81	\$ 166	\$ 78
Gain reclassified into cost of goods sold and occupancy expenses	\$ 135	\$ 53	\$ 59
Gain reclassified into operating expenses	\$ 9	\$ 8	\$ 11
Derivatives in net investment hedging relationships:			
Gain recognized in other comprehensive income	\$ 3	\$ 4	\$ 17

For fiscal 2015, 2014, and 2013, there were no amounts of gain or loss reclassified from accumulated OCI into income for derivative financial instruments in net investment hedging relationships, as we did not sell or liquidate (or substantially liquidate) any of our hedged subsidiaries during the periods.

Gains and losses on foreign exchange forward contracts not designated as hedging instruments recorded in the Consolidated Statements of Income, on a pre-tax basis are as follows:

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Gain recognized in operating expenses	\$ 16	\$ 20	\$ 5

Note 8. Common Stock

Common and Preferred Stock

The Company is authorized to issue 2.3 billion shares of common stock. We are also authorized to issue 60 million shares of Class B common stock, which is convertible into shares of common stock on a share-for-share basis. Transfer of the Class B shares is restricted. In addition, the holders of the Class B common stock have six votes per share on most matters and are entitled to a lower cash dividend. No Class B shares have been issued as of January 30, 2016.

The Company is authorized to issue 30 million shares of one or more series of preferred stock, which has a par value of \$0.05 per share, and to establish at the time of issuance the issue price, dividend rate, redemption price, liquidation value, conversion features, and such other terms and conditions of each series (including voting rights) as the Board of Directors deems appropriate, without further action on the part of the stockholders. No preferred shares have been issued as of January 30, 2016.

Treasury Stock

As of March 1, 2014, the Company retired all existing treasury stock. Upon retirement, the treasury stock balance as of March 1, 2014 was reduced for the amount originally recorded for the shares repurchased. Common stock was also reduced, at par, for the shares repurchased, and the remaining balance was allocated between additional paid-in-capital and retained earnings. All common stock repurchased subsequent to March 1, 2014 is immediately retired and all shares related to stock options and other stock awards are issued from authorized but unissued common stock.

Share Repurchases

Share repurchase activity is as follows:

(\$ and shares in millions except average per share cost)	Fiscal Year		
	2015	2014	2013
Number of shares repurchased	30	30	26
Total cost	\$ 1,000	\$ 1,164	\$ 1,009
Average per share cost including commissions	\$ 33.90	\$ 39.28	\$ 38.42

Between January 2013 and October 2014, the Board of Directors authorized a total of \$2.5 billion for share repurchases, all of which was completed by the end of May 2015.

In February 2015, we announced that the Board of Directors approved a \$1.0 billion share repurchase authorization. In February 2016, we announced that the Board of Directors approved a new \$1.0 billion share repurchase authorization. The February 2015 repurchase program, which had \$302 million remaining as of January 30, 2016, was superseded and replaced by the February 2016 repurchase program.

All of the share repurchases were paid for as of January 30, 2016. All except \$15 million of the share repurchases were paid for as of January 31, 2015.

Note 9. Accumulated Other Comprehensive Income

Changes in accumulated OCI by component, net of tax, are as follows:

(\$ in millions)	Foreign Currency Translation	Cash Flow Hedges	Total
Balance at January 31, 2015	\$ 60	\$ 105	\$ 165
Foreign currency translation	(38)	—	(38)
Change in fair value of derivative financial instruments	—	60	60
Amounts reclassified from accumulated OCI	—	(102)	(102)
Other comprehensive loss, net	(38)	(42)	(80)
Balance at January 30, 2016	<u>\$ 22</u>	<u>\$ 63</u>	<u>\$ 85</u>

(\$ in millions)	Foreign Currency Translation	Cash Flow Hedges	Total
Balance at February 1, 2014	\$ 107	\$ 28	\$ 135
Foreign currency translation	(47)	—	(47)
Change in fair value of derivative financial instruments	—	118	118
Amounts reclassified from accumulated OCI	—	(41)	(41)
Other comprehensive income (loss), net	(47)	77	30
Balance at January 31, 2015	<u>\$ 60</u>	<u>\$ 105</u>	<u>\$ 165</u>

(\$ in millions)	Foreign Currency Translation	Cash Flow Hedges	Total
Balance at February 2, 2013	\$ 158	\$ 23	\$ 181
Foreign currency translation	(51)	—	(51)
Change in fair value of derivative financial instruments	—	48	48
Amounts reclassified from accumulated OCI	—	(43)	(43)
Other comprehensive income (loss), net	(51)	5	(46)
Balance at February 1, 2014	<u>\$ 107</u>	<u>\$ 28</u>	<u>\$ 135</u>

See Note 7 of Notes to Consolidated Financial Statements for additional disclosures about reclassifications out of accumulated other comprehensive income and their corresponding effects on the respective line items in the Consolidated Statements of Income.

Note 10. Share-Based Compensation

Share-based compensation expense is as follows:

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Stock units	\$ 61	\$ 86	\$ 99
Stock options	10	9	12
Employee stock purchase plan	5	5	5
Share-based compensation expense	76	100	116
Less: Income tax benefit	(28)	(37)	(45)
Share-based compensation expense, net of tax	<u>\$ 48</u>	<u>\$ 63</u>	<u>\$ 71</u>

No material share-based compensation expense was capitalized in fiscal 2015, 2014, or 2013.

There were no material modifications made to our outstanding stock options and other stock awards in fiscal 2015, 2014, or 2013.

General Description of Stock Option and Other Stock Award Plans

The 1996 Stock Option and Award Plan (the "1996 Plan") was established on March 26, 1996 and amended and restated on January 28, 2003. The 1996 Plan was further amended and restated on January 24, 2006 and renamed the 2006 Long-Term Incentive Plan (the "2006 Plan"). The 2006 Plan was amended and restated on August 20, 2008. The 2006 Plan was further amended and restated on May 17, 2011 and renamed the 2011 Long-Term Incentive Plan (the "2011 Plan"). The 2011 Plan was further amended and restated in February 2014. The 2011 Plan was further amended and restated in February 2016, and renamed the 2016 Long-Term Incentive Plan, subject to shareholder approval. Under the 2011 Plan, nonqualified stock options and other stock awards are granted to officers, directors, eligible employees, and consultants at exercise prices or initial values equal to the fair market value of the Company's common stock at the date of grant or as determined by the Compensation and Management Development Committee of the Board of Directors (the "Committee").

The 2002 Stock Option Plan (the "2002 Plan") was established on January 1, 1999. The 2002 Plan empowered the Committee to award nonqualified stock options to non-officer employees. On May 9, 2006, the 2002 Plan was discontinued, and those awards then outstanding continued to be subject to the terms of the 2002 Plan under which they were granted. Pursuant to the 2011 Plan, any shares (not to exceed 28,019,786 shares) that otherwise would have been returned to the 2002 Plan after May 9, 2006 on account of expiration, cancellation, or forfeiture of awards granted are available for grant under the 2011 Plan.

As of January 30, 2016, there were 216,586,781 shares that have been authorized for issuance under the 2011 Plan, including those shares available for issuance under the 2002 Plan, which have or may become available for issuance under the 2011 Plan.

As discussed in Note 8 of Notes to Consolidated Financial Statements, the Company retired all existing treasury stock as of March 1, 2014. All common stock repurchased subsequent to March 1, 2014 is immediately retired and all shares related to stock options and other stock awards are now issued from authorized but unissued common stock.

Stock Units

Under the 2011 Plan, Stock Units are granted to employees and members of the Board of Directors. Vesting generally occurs over a period of three to four years of continued service by the employee in equal annual installments. Vesting is immediate in the case of members of the Board of Directors. In some cases, Stock Unit vesting is subject to the attainment of a pre-determined financial target ("Performance Shares"). Performance Shares generally vest over a period of three to four years.

At the end of each reporting period, we evaluate the probability that the Performance Shares will vest. We record share-based compensation expense on an accelerated basis based on the grant-date fair value and the probability that the pre-determined financial target will be achieved.

A summary of Stock Unit activity under the 2011 Plan for fiscal 2015 is as follows:

	Shares	Weighted-Average Grant-Date Fair Value Per Share
Balance as of January 31, 2015	5,646,478	\$ 33.02
Granted	2,557,612	\$ 37.59
Granted, with vesting subject to performance conditions	597,131	\$ 38.71
Vested	(2,622,940)	\$ 29.43
Forfeited	(1,824,319)	\$ 37.57
Balance as of January 30, 2016	<u>4,353,962</u>	<u>\$ 36.74</u>

A summary of additional information about Stock Units is as follows:

	Fiscal Year		
	2015	2014	2013
Weighted-average fair value per share of Stock Units granted	\$ 37.80	\$ 40.20	\$ 36.15
Fair value of Stock Units vested (in millions)	\$ 77	\$ 114	\$ 63

The aggregate intrinsic value of unvested Stock Units as of January 30, 2016 was \$108 million.

As of January 30, 2016, there was \$81 million (before any related tax benefit) of unrecognized share-based compensation expense, adjusted for estimated forfeitures, related to unvested Stock Units, which is expected to be recognized over a weighted-average period of 1.98 years. Total unrecognized share-based compensation may be adjusted for future changes in estimated forfeitures.

Stock Units Granted Based on Performance Metrics

Under the 2011 Plan, some Stock Units are granted to certain employees only after the achievement of pre-determined performance metrics. Once the Stock Unit is granted, vesting is then subject to continued service by the employee, and expense is recognized over a period of three years on an accelerated basis.

At the end of each reporting period, we evaluate the probability that Stock Units will be granted. We record share-based compensation expense based on the probability that the performance metrics will be achieved, with an offsetting increase to current liabilities. We revalue the liability at the end of each reporting period and record an adjustment to share-based compensation expense as required, based on the probability that the performance metrics will be achieved. Upon achievement of the performance metrics, a Stock Unit is granted. At that time, the associated liability is reclassified to stockholders' equity.

Out of 2,557,612 Stock Units granted in fiscal 2015, 157,507 Stock Units were granted based on satisfaction of performance metrics.

The liability related to potential Stock Units based on performance metrics, which is recorded in accrued expenses and other current liabilities in the Consolidated Balance Sheets, was not material as of January 30, 2016 and was \$1 million as of January 31, 2015.

Stock Options

We have stock options outstanding under the 2011 Plan. As of January 30, 2016, there are no remaining stock options outstanding under the 2002 Plan. Stock options generally expire the earlier of 10 years from the grant date, three months after employee termination, or one year after the date of an employee's retirement or death. Vesting generally occurs over a period of four years of continued service by the employee, with 25 percent vesting on each of the four anniversary dates.

The fair value of stock options issued during fiscal 2015, 2014, and 2013 was estimated on the date of grant using the following assumptions:

	Fiscal Year		
	2015	2014	2013
Expected term (in years)	3.8	4.4	4.5
Expected volatility	25.9%	27.3%	31.5%
Dividend yield	2.2%	2.1%	1.7%
Risk-free interest rate	1.2%	1.3%	0.7%

A summary of stock option activity under the 2011 Plan and the 2002 Plan for fiscal 2015 is as follows:

	Shares	Weighted-Average Exercise Price Per Share
Balance as of January 31, 2015	5,195,265	\$ 30.89
Granted	1,914,038	\$ 40.68
Exercised	(1,630,246)	\$ 23.05
Forfeited/Expired	(1,227,502)	\$ 37.90
Balance as of January 30, 2016	<u>4,251,555</u>	<u>\$ 36.29</u>

A summary of additional information about stock options is as follows:

	Fiscal Year		
	2015	2014	2013
Weighted-average fair value per share of stock options granted	\$ 6.84	\$ 8.20	\$ 8.25
Aggregate intrinsic value of stock options exercised (in millions)	\$ 29	\$ 63	\$ 125
Fair value of stock options vested (in millions)	\$ 10	\$ 10	\$ 14

Information about stock options outstanding, vested or expected to vest, and exercisable as of January 30, 2016 is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Shares as of January 30, 2016	Weighted- Average Remaining Contractual Life (in years)	Weighted- Average Exercise Price Per Share	Number of Shares as of January 30, 2016	Weighted- Average Exercise Price Per Share
\$11.77 - \$25.09	949,360	4.94	\$ 22.91	712,397	\$ 22.25
\$25.38 - \$38.67	857,602	7.24	\$ 35.84	319,017	\$ 36.07
\$39.71 - \$41.20	348,249	8.73	\$ 41.14	13,024	\$ 40.32
\$41.27 - \$41.27	1,171,388	9.10	\$ 41.27	—	N/A
\$41.67 - \$46.41	924,956	7.91	\$ 42.30	234,979	\$ 42.29
	<u>4,251,555</u>	7.51	\$ 36.29	<u>1,279,417</u>	\$ 29.56
Vested or expected to vest as of January 30, 2016	<u>3,983,047</u>	7.42	\$ 36.04		

The aggregate intrinsic value of options outstanding, options vested or expected to vest, and options exercisable as of January 30, 2016 were each \$2 million. Stock options exercisable as of January 30, 2016 had a weighted-average remaining contractual life of 5.69 years.

Employee Stock Purchase Plan

Under our Employee Stock Purchase Plan ("ESPP"), eligible U.S. employees are able to purchase our common stock at 85 percent of the closing price on the New York Stock Exchange on the last day of the three-month purchase periods. Accordingly, compensation expense is recognized for an amount equal to the 15 percent discount. Employees pay for their stock purchases through payroll deductions at a rate equal to any whole percentage from 1 percent to 15 percent. There were 949,751, 785,794, and 811,223 shares issued under the ESPP in fiscal 2015, 2014, and 2013, respectively. As of January 30, 2016, there were 2,518,191 shares reserved for future issuances under the ESPP.

Note 11. Leases

We lease most of our store premises and some of our corporate facilities and distribution centers. These operating leases expire at various dates through 2032. Most store leases have a five-year base period and include options that allow us to extend the lease term beyond the initial base period, subject to terms agreed upon at lease inception. Some leases also include early termination options, which can be exercised under specific conditions.

The aggregate minimum non-cancelable annual lease payments under leases in effect on January 30, 2016 are as follows:

(\$ in millions)

Fiscal Year			
	2016	\$	1,135
	2017		1,098
	2018		946
	2019		821
	2020		682
Thereafter			2,118
Total minimum lease commitments		\$	6,800

The total minimum lease commitment amount above does not include minimum sublease rent income of \$17 million receivable in the future under non-cancelable sublease agreements.

Rent expense related to our store premises, corporate facilities, and distribution centers under operating leases is as follows:

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Minimum rent expense	\$ 1,211	\$ 1,209	\$ 1,162
Contingent rent expense	106	114	121
Less: Sublease income	(4)	(4)	(4)
Total	\$ 1,313	\$ 1,319	\$ 1,279

Note 12. Income Taxes

Effective February 2, 2014, we adopted ASU No. 2013-11, Income Taxes, which clarifies the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This adoption did not have a material impact on our Consolidated Financial Statements.

For financial reporting purposes, components of income before income taxes are as follows:

(\$ in millions)	Fiscal Year		
	2015	2014	2013
United States	\$ 1,401	\$ 1,842	\$ 1,817
Foreign	70	171	276
Income before income taxes	\$ 1,471	\$ 2,013	\$ 2,093

The provision for income taxes consists of the following:

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Current:			
Federal	\$ 418	\$ 547	\$ 616
State	25	61	65
Foreign	7	68	63
Total current	450	676	744
Deferred:			
Federal	99	70	76
State	12	6	—
Foreign	(10)	(1)	(7)
Total deferred	101	75	69
Total provision	\$ 551	\$ 751	\$ 813

The difference between the effective tax rate and the U.S. federal statutory tax rate is as follows:

	Fiscal Year		
	2015	2014	2013
Federal statutory tax rate	35.0 %	35.0 %	35.0 %
State and local income taxes, net of federal benefit	2.5	3.3	3.1
Tax impact of foreign operations	0.3	1.0	0.8
Excess foreign tax credits	—	(2.0)	—
Other	(0.3)	—	(0.1)
Effective tax rate	37.5 %	37.3 %	38.8 %

The impact of state and local income taxes for fiscal 2015, net of federal benefit, includes retroactive tax benefits resulting from the approval of certain state tax credits which the company received in fiscal 2015.

In connection with a review of the Company's overall cash position and anticipated cash needs, we made a \$473 million distribution of certain foreign earnings in fiscal 2014, resulting in an overall net tax benefit of approximately \$41 million. The benefit is primarily due to the recognition of foreign tax credits which exceeded the taxes due on the distribution of foreign earnings.

Deferred tax assets (liabilities) consist of the following:

(\$ in millions)	January 30, 2016	January 31, 2015
Gross deferred tax assets:		
Deferred rent	\$ 163	\$ 162
Accrued payroll and related benefits	69	107
Nondeductible accruals	116	113
Inventory capitalization and other adjustments	44	63
Deferred income	63	69
Federal, state, and foreign net operating losses	47	48
Other	39	70
Total gross deferred tax assets	541	632
Valuation allowance	(101)	(94)
Total deferred tax assets, net of valuation allowance	440	538
Deferred tax liabilities:		
Depreciation and amortization	(169)	(173)
Unremitted earnings of certain foreign subsidiaries	(56)	(56)
Unrealized net gain on cash flow hedges	(24)	(45)
Other	(7)	(3)
Total deferred tax liabilities	(256)	(277)
Net deferred tax assets	\$ 184	\$ 261

As of January 30, 2016, we had approximately \$65 million of state, and \$180 million of foreign loss carryovers in multiple taxing jurisdictions that could be utilized to reduce the tax liabilities of future years. The tax-effected loss carryovers were approximately \$4 million for state and \$43 million for foreign as of January 30, 2016. We provided a valuation allowance of approximately \$33 million against the deferred tax assets related to the foreign loss carryovers. We also provided a valuation allowance of approximately \$68 million related to other federal and foreign deferred tax assets. The state losses expire between fiscal 2019 and fiscal 2034, approximately \$57 million of the foreign losses expire between fiscal 2016 and fiscal 2035, and \$123 million of the foreign losses do not expire.

In fiscal 2015, we assessed the forecasted cash needs and overall financial position of our foreign subsidiaries. As a result, we determined that no current year earnings were in excess of the amount we expect to utilize in our foreign operations for an indefinite period of time and, therefore, we have not recorded any related U.S. tax expense.

U.S. income tax has not been recognized on the excess of the amount for financial reporting over the tax basis of investments in certain foreign subsidiaries that is indefinitely reinvested outside the United States, as we intend to utilize, or have utilized, the undistributed foreign earnings of these subsidiaries in our operations outside the United States for an indefinite period of time, primarily to support our international growth. This amount becomes taxable upon a repatriation of assets from the subsidiary or a sale or liquidation of the subsidiary. The cumulative amount of such temporary differences totaled approximately \$642 million as of January 30, 2016, which substantially exceeds the cash available for repatriation currently held by these subsidiaries. The amount of any unrecognized deferred income tax liability on this temporary difference is estimated to be approximately \$86 million.

The activity related to our unrecognized tax benefits is as follows:

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Balance at beginning of fiscal year	\$ 75	\$ 72	\$ 109
Increases related to current year tax positions	3	9	8
Prior year tax positions:			
Increases	6	4	8
Decreases	(34)	(9)	(47)
Cash settlements	(3)	(1)	(5)
Foreign currency translation	—	—	(1)
Balance at end of fiscal year	\$ 47	\$ 75	\$ 72

Of the \$47 million, \$75 million, and \$72 million of total unrecognized tax benefits as of January 30, 2016, January 31, 2015, and February 1, 2014, respectively, approximately \$34 million, \$31 million, and \$27 million, respectively, represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods.

During fiscal 2015, 2014, and 2013, interest expense of \$1 million, \$2 million, and \$4 million, respectively, was recognized in the Consolidated Statements of Income relating to tax liabilities. In fiscal 2015, we also recognized an interest expense reversal of \$15 million in the Consolidated Statement of Income, primarily as a result of a favorable foreign tax ruling and actions of foreign tax authorities related to transfer pricing matters. We reduced our unrecognized tax benefits for these matters by \$32 million, and there was no impact on the tax provision due to the offsetting decrease for the U.S. indirect effect of these unrecognized tax benefits. In fiscal 2013, we also recognized an interest expense reversal of \$18 million in the Consolidated Statement of Income relating to the favorable resolution of foreign tax matters. As of January 30, 2016 and January 31, 2015, the Company had total accrued interest related to the unrecognized tax benefits of \$5 million and \$18 million, respectively. There were no accrued penalties related to the unrecognized tax benefits as of January 30, 2016 or January 31, 2015.

The Company conducts business globally, and as a result, files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as the United States, Canada, France, the United Kingdom, Hong Kong, Japan, China, and India. We are no longer subject to U.S. federal income tax examinations for fiscal years before 2009, and with few exceptions, we are also no longer subject to U.S. state, local, or non-U.S. income tax examinations for fiscal years before 2008.

The Company engages in continual discussions with taxing authorities regarding tax matters in the various U.S. and foreign jurisdictions in the normal course of business. As of January 30, 2016, it is reasonably possible that we will recognize a decrease in gross unrecognized tax benefits within the next 12 months of up to \$3 million, primarily due to the closing of audits. If we do recognize such a decrease, the net impact on the Consolidated Statement of Income would not be material.

Note 13. Employee Benefit Plans

We have two qualified defined contribution retirement plans, the GapShare 401(k) Plan and the GapShare Puerto Rico Plan (the "Plans"), which are available to employees who meet the eligibility requirements. The Plans permit eligible employees to make contributions up to the maximum limits allowable under the applicable Internal Revenue Codes. Under the Plans, we match, in cash, all or a portion of employees' contributions under a predetermined formula. Our contributions vest immediately. Our matching contributions to the Plans were \$42 million, \$40 million, and \$37 million in fiscal 2015, 2014, and 2013, respectively.

We maintain the Gap Inc. DCP, which allows eligible employees and non-employee directors to defer compensation up to a maximum amount. Plan investments are recorded at market value and are designated for the DCP. The fair value of the Company's DCP assets is determined based on quoted market prices. As of January 30, 2016 and January 31, 2015, the assets related to the DCP were \$37 million and \$40 million, respectively, and were recorded in other long-term assets in the Consolidated Balance Sheets. As of January 30, 2016 and January 31, 2015, the corresponding liabilities related to the DCP were \$37 million and \$40 million, respectively, and were recorded in lease incentives and other long-term liabilities in the Consolidated Balance Sheets. We match all or a portion of employees' contributions under a predetermined formula. Plan investments are elected by the participants, and investment returns are not guaranteed by the Company. Our matching contributions to the DCP in fiscal 2015, 2014, and 2013 were not material.

Note 14. Earnings per Share

Weighted-average number of shares used for earnings per share is as follows:

(shares in millions)	Fiscal Year		
	2015	2014	2013
Weighted-average number of shares—basic	411	435	461
Common stock equivalents	2	5	6
Weighted-average number of shares—diluted	413	440	467

The above computations of weighted-average number of shares—diluted exclude 4 million, 2 million, and 2 million shares related to stock options and other stock awards for fiscal 2015, 2014, and 2013, respectively, as their inclusion would have an anti-dilutive effect on earnings per share.

Note 15. Commitments and Contingencies

Our future purchase obligations and commitments as of January 30, 2016 are as follows:

(\$ in millions)	Payments Due by Period				Total
	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	
Purchase obligations and commitments (1)	\$ 3,882	\$ 75	\$ 8	\$ 8	\$ 3,973

(1) Represents estimated open purchase orders to purchase inventory as well as commitments for products and services used in the normal course of business.

In January 2006, we entered into a ten-year non-exclusive services agreement with IBM under which IBM operates certain significant aspects of our IT infrastructure. The service agreement was set to expire in March 2016. During the first quarter of fiscal 2013, we executed an amendment to extend the term of the agreement through February 2018 and to reduce the scope of services provided by IBM as we opted to take back certain services related to our mainframe services, our data centers, and our corporate network. We pay IBM a combination of fixed and variable charges, with the variable charges fluctuating based on our actual consumption of services, and we have various options to terminate the agreement. IBM also has certain termination rights in the event of our material breach of the agreement and failure to cure. We paid \$37 million, \$38 million, and \$64 million to IBM for fixed charges in fiscal 2015, 2014, and 2013, respectively. Based on the current projection of service needs, we expect to pay approximately \$73 million to IBM over the remaining two years of the contract.

We are a party to a variety of contractual agreements under which we may be obligated to indemnify the other party for certain matters. These contracts primarily relate to our commercial contracts, operating leases, trademarks, intellectual property, financial agreements, and various other agreements. Under these contracts, we may provide certain routine indemnifications relating to representations and warranties (e.g., ownership of assets, environmental or tax indemnifications), or personal injury matters. The terms of these indemnifications range in duration and may not be explicitly defined. Generally, the maximum obligation under such indemnifications is not explicitly stated, and as a result, the overall amount of these obligations cannot be reasonably estimated. Historically, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss in any of these matters, the loss would not have a material effect on our Consolidated Financial Statements taken as a whole.

As a multinational company, we are subject to various Actions arising in the ordinary course of our business. Many of these Actions raise complex factual and legal issues and are subject to uncertainties. As of January 30, 2016, Actions filed against us included commercial, intellectual property, customer, employment, and data privacy claims, including class action lawsuits. The plaintiffs in some Actions seek unspecified damages or injunctive relief, or both. Actions are in various procedural stages and some are covered in part by insurance. As of January 30, 2016 and January 31, 2015, we recorded a liability for an estimated loss if the outcome of an Action is expected to result in a loss that is considered probable and reasonably estimable. The liability recorded as of January 30, 2016 and January 31, 2015 was not material for any individual Action or in total. Subsequent to January 30, 2016 and through the filing date of March 21, 2016, no information has become available that indicates a change is required that would be material to our Consolidated Financial Statements taken as a whole.

We cannot predict with assurance the outcome of Actions brought against us. Accordingly, developments, settlements, or resolutions may occur and impact income in the quarter of such development, settlement, or resolution. However, we do not believe that the outcome of any current Action would have a material effect on our Consolidated Financial Statements taken as a whole.

Note 16. Segment Information

We identify our operating segments according to how our business activities are managed and evaluated. As of January 30, 2016, our operating segments included: Gap Global, Old Navy Global, Banana Republic Global, Athleta, and Intermix. Each operating segment has a brand president who is responsible for all geographies and channels. Each of our brands serves customers through its store and online channels, allowing us to execute on our omni-channel strategy where customers can shop seamlessly in retail stores and online through desktop or mobile devices. We have determined that each of our operating segments share similar economic and other qualitative characteristics, and therefore the results of our operating segments are aggregated into one reportable segment as of January 30, 2016.

Net sales by brand and region are as follows:

(\$ in millions)						
Fiscal 2015	Gap Global	Old Navy Global	Banana Republic Global	Other (2)	Total	Percentage of Net Sales
U.S. (1)	\$ 3,303	\$ 5,987	\$ 2,211	\$ 712	\$ 12,213	77%
Canada	348	467	229	3	1,047	7
Europe	726	—	71	—	797	5
Asia	1,215	194	112	—	1,521	10
Other regions	159	27	33	—	219	1
Total	\$ 5,751	\$ 6,675	\$ 2,656	\$ 715	\$ 15,797	100%
Sales growth (decline)	(7)%	1%	(9)%	(2)%	(4)%	

(\$ in millions)						
Fiscal 2014	Gap Global	Old Navy Global	Banana Republic Global	Other (2)	Total	Percentage of Net Sales
U.S. (1)	\$ 3,575	\$ 5,967	\$ 2,405	\$ 725	\$ 12,672	77%
Canada	384	500	249	4	1,137	7
Europe	824	—	93	—	917	6
Asia	1,208	149	145	—	1,502	9
Other regions	174	3	30	—	207	1
Total	\$ 6,165	\$ 6,619	\$ 2,922	\$ 729	\$ 16,435	100%
Sales growth (decline)	(3)%	6%	2%	8%	2%	

(\$ in millions)						
Fiscal 2013	Gap Global	Old Navy Global	Banana Republic Global	Other (2)	Total	Percentage of Net Sales
U.S. (1)	\$ 3,800	\$ 5,698	\$ 2,365	\$ 668	\$ 12,531	78%
Canada	404	482	238	4	1,128	7
Europe	809	—	82	—	891	5
Asia	1,165	77	155	—	1,397	9
Other regions	173	—	28	—	201	1
Total	\$ 6,351	\$ 6,257	\$ 2,868	\$ 672	\$ 16,148	100%
Sales growth (decline)	2%	2%	(1)%	70%	3%	

(1) U.S. includes the United States, Puerto Rico, and Guam.

(2) Includes Piperlime, Athleta, and Intermix.

Total online sales were \$2.5 billion, \$2.5 billion, and \$2.3 billion in fiscal 2015, 2014, and 2013, respectively.

Net sales by region are allocated based on the location in which the sale originated. This is determined based on the location of the store where the customer paid for and received the merchandise or the distribution center or store from which the products were shipped.

Long-lived assets, excluding long-term derivative financial instruments in an asset position and long-term deferred tax assets, by geographic location are as follows:

(\$ in millions)	January 30, 2016	January 31, 2015
U.S. (1)	\$ 2,578	\$ 2,547
Canada	160	156
Total North America	2,738	2,703
Other regions	559	528
Total long-lived assets	\$ 3,297	\$ 3,231

(1) U.S. includes the United States, Puerto Rico, and Guam.

Note 17. Quarterly Information (Unaudited)

Selected quarterly and annual operating results are as follows:

(\$ in millions except per share amounts)	13 Weeks Ended May 2, 2015	13 Weeks Ended August 1, 2015	13 Weeks Ended October 31, 2015	13 Weeks Ended January 30, 2016	52 Weeks Ended January 30, 2016 (fiscal 2015)
Net sales	\$ 3,657	\$ 3,898	\$ 3,857	\$ 4,385	\$ 15,797
Gross profit	\$ 1,382	\$ 1,458	\$ 1,440	\$ 1,440	\$ 5,720
Net income	\$ 239	\$ 219	\$ 248	\$ 214	\$ 920
Earnings per share—basic (1)	\$ 0.57	\$ 0.53	\$ 0.61	\$ 0.54	\$ 2.24
Earnings per share—diluted (1)	\$ 0.56	\$ 0.52	\$ 0.61	\$ 0.53	\$ 2.23

(\$ in millions except per share amounts)	13 Weeks Ended May 3, 2014	13 Weeks Ended August 2, 2014	13 Weeks Ended November 1, 2014	13 Weeks Ended January 31, 2015	52 Weeks Ended January 31, 2015 (fiscal 2014)
Net sales	\$ 3,774	\$ 3,981	\$ 3,972	\$ 4,708	\$ 16,435
Gross profit	\$ 1,466	\$ 1,569	\$ 1,596	\$ 1,658	\$ 6,289
Net income	\$ 260	\$ 332	\$ 351	\$ 319	\$ 1,262
Earnings per share—basic (1)	\$ 0.58	\$ 0.76	\$ 0.81	\$ 0.75	\$ 2.90
Earnings per share—diluted (1)	\$ 0.58	\$ 0.75	\$ 0.80	\$ 0.75	\$ 2.87

(1) Earnings per share was computed individually for each of the periods presented; therefore, the sum of the earnings per share amounts for the quarters may not equal the total for the year.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation 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 Annual Report on Form 10-K. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management conducted an assessment of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework* (released in 2013). Based on the assessment, management concluded that as of January 30, 2016, our internal control over financial reporting is effective. The Company's internal control over financial reporting as of January 30, 2016 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's fourth quarter of fiscal 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is incorporated herein by reference to the sections entitled "Nominees for Election as Directors," "Corporate Governance—Audit and Finance Committee," and "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2016 Proxy Statement. See also Part I, Item 1 in the section entitled "Executive Officers of the Registrant."

The Company has adopted a code of ethics, our Code of Business Conduct, which applies to all employees including our principal executive officer, principal financial officer, controller, and persons performing similar functions. Our Code of Business Conduct is available on our website, gapinc.com, under "Investors, Corporate Compliance, Code of Business Conduct." Any amendments and waivers to the Code will also be available on the website.

Item 11. Executive Compensation.

The information required by this item is incorporated herein by reference to the sections entitled "Compensation of Directors," "Corporate Governance—Compensation and Management Development Committee," and "Executive Compensation and Related Information" in the 2016 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is incorporated herein by reference to the sections entitled “Executive Compensation and Related Information—Equity Compensation Plan Information” and “Beneficial Ownership of Shares” in the 2016 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is incorporated herein by reference to the sections entitled “Certain Relationships and Related Transactions” and “Nominees for Election as Directors—Director Independence” in the 2016 Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated herein by reference to the section entitled “Principal Accounting Firm Fees” in the 2016 Proxy Statement.

Part IV

Item 15. Exhibits, Financial Statement Schedules.

1. Financial Statements: See "Index to Consolidated Financial Statements" in Part II, Item 8 of this Form 10-K.
2. Financial Statement Schedules: Schedules are included in the Consolidated Financial Statements or notes of this Form 10-K or are not required.
3. Exhibits: The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Form 10-K.

Exhibit Index

- 3.1 Registrant's Amended and Restated Certificate of Incorporation, filed as Exhibit 3.1 to Registrant's Annual Report on Form 10-K for the year ended January 30, 1993, Commission File No. 1-7562.
- 3.2 Certificate of Amendment of Amended and Restated Certificate of Incorporation, filed as Exhibit 3.2 to Registrant's Annual Report on Form 10-K for year ended January 29, 2000, Commission File No. 1-7562.
- 3.3 Amended and Restated Bylaws of the Company (effective February 1, 2015), filed as Exhibit 3(ii) to Registrant's Form 8-K on November 14, 2014, Commission File No. 1-7562.
- 4.1 Indenture, dated as of April 12, 2011, by and between Registrant and Wells Fargo Bank, National Association, as Trustee, filed as Exhibit 4.1 to Registrant's Form 8-K on April 12, 2011, Commission File No. 1-7562.
- 4.2 First Supplemental Indenture, dated as of April 12, 2011, relating to the issuance of \$1,250,000,000 aggregate principal amount of Registrant's 5.95% Notes due 2021, filed as Exhibit 4.2 to Registrant's Form 8-K on April 12, 2011, Commission File No. 1-7562.
- 4.3 Form of Registrant's 5.95% Notes due 2021, included as Exhibit A to First Supplemental Indenture, filed as Exhibit 4.2 to Registrant's Form 8-K on April 12, 2011, Commission File No. 1-7562.
- 10.1 3-Year LC Agreement dated as of May 6, 2005 among The Gap, Inc., LC Subsidiaries, and HSBC Bank USA, National Association (formerly HSBC Bank USA), as LC Issuer, filed as Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended May 1, 2010, Commission File No. 1-7562.
- 10.2 Letter Amendment No. 1 to the 3-Year Letter of Credit Agreement with HSBC Bank USA, National Association dated May 18, 2007, filed as Exhibit 10.3 to Registrant's Form 8-K on May 24, 2007, Commission File No. 1-7562.
- 10.3 Letter Amendment No. 2 to the 3-Year Letter of Credit Agreement with HSBC Bank USA, National Association dated September 21, 2010, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended October 30, 2010, Commission File No. 1-7562.
- 10.4 Letter Amendment No. 3 to the 3-Year Letter of Credit Agreement with HSBC Bank USA, National Association dated August 24, 2012, filed as Exhibit 10.4 to Registrant's Form 10-Q for the quarter ended October 27, 2012, Commission File No. 1-7562.
- 10.5 Letter Amendment No. 4 to the 3-Year Letter of Credit Agreement with HSBC Bank USA, National Association dated April 15, 2014, filed as Exhibit 10.11 to Registrant's Form 10-Q for the quarter ended May 3, 2014, Commission File No. 1-7562.
- 10.6 Letter Agreement dated April 1, 2008 regarding the 3-Year Letter of Credit Agreement with HSBC Bank USA, National Association, filed as Exhibit 10.8 to Registrant's Form 10-Q for the quarter ended May 3, 2008, Commission File No. 1-7562.
- 10.7 Term Loan and Revolving Credit Agreement dated April 7, 2011, filed as Exhibit 10.1 to Registrant's Form 8-K on April 7, 2011, Commission File No. 1-7562.

- 10.8 Amendment No. 1 to Term Loan and Revolving Credit Agreement dated April 25, 2011, filed as Exhibit 10.4 to Registrant's Form 10-Q for the quarter ended April 30, 2011, Commission File No. 1-7562.
- 10.9 Amendment No. 2 to the Credit Agreement dated as of May 1, 2013, filed as Exhibit 10.1 to Registrant's Form 8-K on May 1, 2013, Commission File No. 1-7562.
- 10.10 Amended and Restated Revolving Credit Agreement dated May 20, 2015, filed as Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended August 1, 2015, Commission File No. 1-7562.
- 10.11 Credit Agreement dated October 15, 2015, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended October 31, 2015, Commission File No. 1-7562.
- 10.12 Second Amended and Restated Master Services Agreement between Registrant and IBM, dated as of March 13, 2013, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended May 4, 2013, Commission File No. 1-7562. (1)
- 10.13 Amended and Restated Consumer Credit Card Program Agreement by and among Registrant, Gap (Puerto Rico), Inc., GPS Consumer Direct, Inc., Gap (Apparel), LLC, Gap (ITM) Inc., GE Capital Retail Bank and GE Capital Retail Finance Corporation, dated as of February 28, 2014, filed as Exhibit 10.1 to Amendment No. 1 to Registrant's Form 10-Q for the quarter ended May 3, 2014, Commission File No. 1-7562. (1)
- 10.14 First Amendment to Amended and Restated Consumer Credit Card Program Agreement by and among Registrant, Gap (Puerto Rico), Inc., GPS Consumer Direct, Inc., Gap (Apparel), LLC, Gap (ITM) Inc., Synchrony Bank (f/k/a GE Capital Retail Bank) and Synchrony Financial, dated as of January 31, 2015, filed as Exhibit 10.12 to Registrant's Form 10-K for the year ended January 31, 2015, Commission File No. 1-7562.
- 10.15 Second Amendment to Amended and Restated Consumer Credit Card Program Agreement by and among Registrant, Gap (Puerto Rico), Inc., GPS Consumer Direct, Inc., Gap (Apparel), LLC, Gap (ITM) Inc., Synchrony Bank (f/k/a GE Capital Retail Bank) and Synchrony Financial, dated as of May 8, 2015, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended August 1, 2015, Commission File No. 1-7562. (1)
- 10.16 Third Amendment to Amended and Restated Consumer Credit Card Program Agreement by and among Registrant, Gap (Puerto Rico), Inc., GPS Consumer Direct, Inc., Gap (Apparel), LLC, Gap (ITM) Inc., Synchrony Bank (f/k/a GE Capital Retail Bank) and Synchrony Financial, dated as of December 15, 2015. (1) (2)

EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

- 10.17 Executive Management Incentive Compensation Award Plan, filed as Appendix A to Registrant's definitive proxy statement for its annual meeting of stockholders held on May 19, 2015, Commission File No. 1-7562.
- 10.18 The Gap, Inc. Executive Deferred Compensation Plan, filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended October 31, 1998, Commission File No.1-7562.
- 10.19 Amendment to Executive Deferred Compensation Plan - Freezing of Plan Effective December 31, 2005, filed as Exhibit 10.1 to Registrant's Form 8-K on November 8, 2005, Commission File No. 1-7562.

- 10.20 Amendment to Executive Deferred Compensation Plan - Merging of Plan into the Supplemental Deferred Compensation Plan, filed as Exhibit 10.29 to Registrant's Form 10-K for the year ended January 31, 2009, Commission File No. 1-7562.
- 10.21 Amendment to Executive Deferred Compensation Plan - Suspension of Pending Merger into Supplemental Deferred Compensation Plan, filed as Exhibit 10.30 to Registrant's Form 10-K for the year ended January 31, 2009, Commission File No. 1-7562.
- 10.22 Amendment to Executive Deferred Compensation Plan - Merging of Plan into the Deferred Compensation Plan, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended October 31, 2009, Commission File No. 1-7562.
- 10.23 Deferred Compensation Plan, amended and restated effective September 1, 2011, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended October 29, 2011, Commission File No. 1-7562.
- 10.24 Deferred Compensation Plan, amended and restated effective November 17, 2015. (2)
- 10.25 Supplemental Deferred Compensation Plan, filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8, dated November 29, 2005, Commission File No. 333-129986.
- 10.26 First Amendment to Supplemental Deferred Compensation Plan, filed as Exhibit 10.32 to Registrant's Form 10-K for the year ended January 31, 2009, Commission File No. 1-7562.
- 10.27 Second Amendment to Supplemental Deferred Compensation Plan - Merging of Executive Deferred Compensation Plan into the Plan and Name Change to Deferred Compensation Plan, filed as Exhibit 10.33 to Registrant's Form 10-K for the year ended January 31, 2009, Commission File No. 1-7562.
- 10.28 Third Amendment to Supplemental Deferred Compensation Plan - Suspension of Pending Merging of Executive Deferred Compensation Plan into the Plan and Name Change to Deferred Compensation Plan, filed as Exhibit 10.34 to Registrant's Form 10-K for the year ended January 31, 2009, Commission File No. 1-7562.
- 10.29 Fourth Amendment to Supplemental Deferred Compensation Plan - Merging of Executive Deferred Compensation Plan into the Plan and Name Change to Deferred Compensation Plan, filed as Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended October 31, 2009, Commission File No. 1-7562.
- 10.30 1981 Stock Option Plan, filed as Exhibit 4.1 to Registrant's Registration Statement on Form S-8, Commission File No. 33-54690.
- 10.31 Management Incentive Restricted Stock Plan II, filed as Exhibit 4.1 to Registrant's Registration Statement on Form S-8, Commission File No. 33-54686.
- 10.32 1996 Stock Option and Award Plan, filed as Exhibit A to Registrant's definitive proxy statement for its annual meeting of stockholders held on May 21, 1996, Commission File No. 1-7562.
- 10.33 Amendment Number 1 to Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended August 2, 1997, Commission File No. 1-7562.
- 10.34 Amendment Number 2 to Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.15 to Registrant's Form 10-K for the year ended January 31, 1998, Commission File No. 1-7562.

- 10.35 Amendment Number 3 to Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended October 31, 1998, Commission File No. 1-7562.
- 10.36 Amendment Number 4 to Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended July 29, 2000, Commission File No. 1-7562.
- 10.37 Amendment Number 5 to Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.13 to Registrant's Form 10-K for the year ended February 3, 2001, Commission File No. 1-7562.
- 10.38 Amendment Number 6 to Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended May 5, 2001, Commission File No. 1-7562.
- 10.39 1996 Stock Option and Award Plan (as Amended and Restated effective as of January 28, 2003), filed as Appendix C to Registrant's definitive proxy statement for its annual meeting of stockholders held on May 14, 2003, Commission File No. 1-7562.
- 10.40 Form of Non-Qualified Stock Option Agreement for consultants under Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.4 to Registrant's Form 10-Q for the quarter ended October 31, 1998, Commission File No. 1-7562.
- 10.41 Form of Non-Qualified Stock Option Agreement for employees in France under Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.5 to Registrant's Form 10-Q for the quarter ended October 31, 1998, Commission File No. 1-7562.
- 10.42 Form of Non-Qualified Stock Option Agreement for international employees under Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.6 to Registrant's Form 10-Q for the quarter ended October 31, 1998, Commission File No. 1-7562.
- 10.43 Form of Non-Qualified Stock Option Agreement for employees in Japan under Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.7 to Registrant's Form 10-Q for the quarter ended October 31, 1998, Commission File No. 1-7562.
- 10.44 Form of Stock Option Agreement for employees under the UK Sub-plan to the U.S. Stock Option and Award Plan, filed as Exhibit 10.8 to Registrant's Form 10-Q for the quarter ended October 31, 1998, Commission File No. 1-7562.
- 10.45 Form of Non-Qualified Stock Option Agreement for directors effective April 3, 2001 under Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.4 to Registrant's Form 10-Q for the quarter ended May 5, 2001, Commission File No. 1-7562.
- 10.46 Form of Non-Qualified Stock Option Agreement under Registrant's 1996 Stock Option and Award Plan, filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended November 3, 2001, Commission File No. 1-7562.
- 10.47 UK Employee Stock Purchase Plan, filed as Exhibit 4.1 to Registrant's Registration Statement on Form S-8, Commission File No. 333-47508.
- 10.48 2002 Stock Option Plan, as amended (formerly the 1999 Stock Option Plan as amended and Stock Up On Success, The Gap, Inc.'s Stock Option Bonus Program), filed as Exhibit 4.1 to Registrant's Registration Statement on Form S-8, Commission File No. 333-103128.
- 10.49 2006 Long-Term Incentive Plan, filed as Appendix B to Registrant's definitive proxy statement for its annual meeting of stockholders held on May 9, 2006, Commission File No. 1-7562.

- 10.50 2006 Long-Term Incentive Plan, as amended and restated effective August 20, 2008, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended November 1, 2008, Commission File No. 1-7562.
- 10.51 Amendment No. 1 to Registrant's 2006 Long-Term Incentive Plan, filed as Exhibit 10.62 to Registrant's Form 10-K for the year ended February 3, 2007, Commission File No. 1-7562.
- 10.52 2011 Long-Term Incentive Plan, filed as Appendix A to Registrant's definitive proxy statement for its annual meeting of stockholders held on May 17, 2011, Commission File No. 1-7562.
- 10.53 Amended and Restated 2011 Long-Term Incentive Plan (effective February 26, 2014), filed as Exhibit 10.1 to Registrant's Form 8-K on March 6, 2014, Commission File No. 1-7562.
- 10.54 Form of Non-Qualified Stock Option Agreement for Executives under the 2006 Long-Term Incentive Plan, filed as Exhibit 10.1 to Registrant's Form 8-K on March 23, 2006, Commission File No. 1-7562.
- 10.55 Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.8 to Registrant's Form 10-Q for the quarter ended April 30, 2011, Commission File No. 1-7562.
- 10.56 Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.9 to Registrant's Form 10-Q for the quarter ended July 28, 2012, Commission File No. 1-7562.
- 10.57 Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.72 to Registrant's Form 10-K for the year ended February 2, 2013, Commission File No. 1-7562.
- 10.58 Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.2 to Registrant's Form 8-K on March 6, 2014, Commission File No. 1-7562.
- 10.59 Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.1 to Registrant's Form 8-K on March 6, 2015, Commission File No. 1-7562.
- 10.60 Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan. (2)
- 10.61 Form of Stock Award Agreement for Executives under the 2006 Long-Term Incentive Plan, filed as Exhibit 10.2 to Registrant's Form 8-K on March 23, 2006, Commission File No. 1-7562.
- 10.62 Form of Performance Share Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.9 to Registrant's Form 10-Q for the quarter ended April 30, 2011, Commission File No. 1-7562.
- 10.63 Form of Performance Share Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.8 to Registrant's Form 10-Q for the quarter ended July 28, 2012, Commission File No. 1-7562.
- 10.64 Form of Performance Share Agreement under the 2006 Long-Term Incentive Plan, filed as Exhibit 10.5 to Registrant's Form 10-Q for the quarter ended May 1, 2010, Commission File No. 1-7562.
- 10.65 Form of Performance Share Agreement under the 2006 Long-Term Incentive Plan, filed as Exhibit 10.1 to Registrant's Form 8-K on March 11, 2011, Commission File No. 1-7562.

- 10.66 Form of Performance Share Agreement under the 2011 Long-Term Incentive Plan., filed as Exhibit 10.85 to Registrant's Form 10-K for the year ended February 2, 2013, Commission File No. 1-7562.
- 10.67 Form of Performance Share Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.4 to Registrant's form 8-K on March 6, 2014, Commission File No. 1.7562.
- 10.68 Form of Performance Share Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.3 to Registrant's form 8-K on March 6, 2015, Commission File No. 1.7562.
- 10.69 Form of Performance Share Agreement under the 2011 Long-Term Incentive Plan. (2)
- 10.70 Form of Restricted Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.7 to Registrant's Form 10-Q for the quarter ended April 30, 2011, Commission File No. 1-7562.
- 10.71 Form of Restricted Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.10 to Registrant's Form 10-Q for the quarter ended July 28, 2012, Commission File No. 1-7562.
- 10.72 Form of Restricted Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.89 to Registrant's Form 10-K for the year ended February 2, 2013, Commission File No. 1-7562.
- 10.73 Form of Restricted Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.3 to Registrant's Form 8-K on March 6, 2014, Commission File No. 1-7562.
- 10.74 Form of Restricted Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.2 to Registrant's Form 8-K on March 6, 2015, Commission File No. 1-7562.
- 10.75 Form of Restricted Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan. (2)
- 10.76 Form of Director Stock Unit Agreement and Stock Unit Deferral Election Form under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.10 to Registrant's Form 10-Q for the quarter ended April 30, 2011, Commission File No. 1-7562.
- 10.77 Form of Director Stock Unit Agreement and Stock Unit Deferral Election Form under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.5 to Registrant's Form 8-K on March 6, 2014, Commission File No. 1-7562.
- 10.78 Form of Director Stock Unit Agreement and Stock Unit Deferral Election Form under the 2011 Long-Term Incentive Plan, filed as Exhibit 10.4 to Registrant's Form 8-K on March 6, 2015, Commission File No. 1-7562.
- 10.79 Form of Director Stock Unit Agreement and Stock Unit Deferral Election Form under the 2011 Long-Term Incentive Plan. (2)
- 10.80 Summary of Revised Timing of Annual Board Member Stock Unit Grants, effective August 20, 2008, filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended November 1, 2008, Commission File No. 1-7562.
- 10.81 Agreement for Post-Termination Benefits with Michelle Banks dated May 23, 2012, filed as Exhibit 10.6 to Registrant's Form 10-Q for the quarter ended April 28, 2012, Commission File No. 1-7562.

- 10.82 Amendment to Agreement for Post-Termination Benefits with Michelle Banks dated June 4, 2014, filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended May 3, 2014, Commission File No. 1-7562.
- 10.83 Agreement for Post-Termination Benefits with Jack Calhoun dated June 9, 2012, filed as Exhibit 10.121 to Registrant's Form 10-K for the year ended February 2, 2013, Commission File No. 1-7562.
- 10.84 Agreement with Jack Calhoun dated October 29, 2012 and confirmed on November 1, 2012, filed as Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended May 3, 2014, Commission File No. 1-7562.
- 10.85 Amendment to Agreement for Post-Termination Benefits with Jack Calhoun dated June 4, 2014, filed as Exhibit 10.4 to Registrant's Form 10-Q for the quarter ended May 3, 2014, Commission File No. 1-7562.
- 10.86 Agreement with Paul Chapman dated November 16, 2015 and confirmed on November 16, 2015. (2)
- 10.87 Agreement with Solomon Goldfarb dated January 23, 2015 and confirmed on January 28, 2015, filed as Exhibit 10.103 to Registrant's Form 10-K for the year ended January 31, 2015, Commission File No. 1-7562.
- 10.88 Agreement with Tom Keiser dated November 18, 2009 and confirmed on November 20, 2009, filed as Exhibit 10.103 to Registrant's Form 10-K for the year ended January 28, 2012, Commission File No. 1-7562.
- 10.89 Amendment to Agreement with Tom Keiser dated November 4, 2011 and confirmed on December 7, 2011, filed as Exhibit 10.104 to Registrant's Form 10-K for the year ended January 28, 2012, Commission File No. 1-7562.
- 10.90 Agreement for Post-Termination Benefits with Tom Keiser dated May 31, 2012, filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended April 28, 2012, Commission File No. 1-7562.
- 10.91 Amendment to Agreement for Post-Termination Benefits with Tom Keiser dated June 4, 2014, filed as Exhibit 10.5 to Registrant's Form 10-Q for the quarter ended May 3, 2014, Commission File No. 1-7562.
- 10.92 Agreement with Jeff Kirwan dated November 17, 2014 and confirmed on November 18, 2014, filed as Exhibit 10.108 to Registrant's Form 10-K for the year ended January 31, 2015, Commission File No. 1-7562.
- 10.93 Agreement with Stefan Larsson dated April 26, 2012 and confirmed on April 27, 2012, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended October 27, 2012, Commission File No. 1-7562.
- 10.94 Amendment to Agreement with Stefan Larsson dated September 12, 2012 and confirmed on September 17, 2012, filed as Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended October 27, 2012, Commission File No. 1-7562.
- 10.95 Amendment to Agreement with Stefan Larsson dated October 29, 2012 and confirmed on November 6, 2012, filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended October 27, 2012, Commission File No. 1-7562.

- 10.96 Amendment to Agreement for Post-Termination Benefits with Stefan Larsson dated June 4, 2014, filed as Exhibit 10.6 to Registrant's Form 10-Q for the quarter ended May 3, 2014, Commission File No. 1-7562.
- 10.97 Agreement with Stefan Larsson dated February 1, 2015 and confirmed on February 4, 2015, filed as Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended May 2, 2015, Commission File No. 1-7562.
- 10.98 Amended and Restated Employment Agreement by and between Glenn Murphy and the Company, dated December 1, 2008 and confirmed on December 1, 2008, filed as Exhibit 10.106 to Registrant's Form 10-K for the year ended January 31, 2009, Commission File No. 1-7562.
- 10.99 Modification to Amended and Restated Employment Agreement by and between Glenn Murphy and the Company dated February 9, 2009, filed as Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended May 2, 2009, Commission File No. 1-7562.
- 10.100 Description of Arrangement with Glenn Murphy for Corporate Jet Usage and Reimbursement for Commercial Travel, filed as Exhibit 101 to Registrant's Form 10-K for the year ended February 2, 2008, Commission File No. 1-7562.
- 10.101 CEO Performance Share Agreement dated May 4, 2012, filed as Exhibit 10.1 to Registrant's Form 8-K on May 4, 2012, Commission File No. 1-7562.
- 10.102 Agreement with Andi Owen dated November 17, 2014 and confirmed on November 18, 2014 filed as Exhibit 10.117 to Registrant's Form 10-K for the year ended January 31, 2015, Commission File No. 1-7562.
- 10.103 Letter Agreement with Art Peck dated October 3, 2014, filed as Exhibit 10.1 to Registrant's Form 8-K on October 8, 2014, Commission File No. 1-7562.
- 10.104 Agreement with Roberta Silten dated April 28, 2015 and confirmed on April 29, 2015, filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended May 2, 2015, Commission File No. 1-7562.
- 10.105 Agreement with Sabrina L. Simmons dated February 4, 2008 and confirmed on February 6, 2008, filed as Exhibit 10.1 to Registrant's Form 8-K on February 12, 2008, Commission File No. 1-7562.
- 10.106 Amendment to Agreement with Sabrina Simmons dated November 23, 2008 and confirmed on December 22, 2008, filed as Exhibit 10.110 to Registrant's Form 10-K for the year ended January 31, 2009, Commission File No. 1-7562.
- 10.107 Amendment to Agreement with Sabrina L. Simmons dated November 4, 2011 and confirmed on January 5, 2012, filed as Exhibit 10.99 to Registrant's Form 10-K for the year ended January 28, 2012, Commission File No. 1-7562.
- 10.108 Agreement for Post-Termination Benefits with Sabrina Simmons dated May 31, 2012, filed as Exhibit 10.5 to Registrant's Form 10-Q for the quarter ended April 28, 2012, Commission File No. 1-7562.
- 10.109 Amendment to Agreement for Post-Termination Benefits with Sabrina Simmons dated June 4, 2014, filed as Exhibit 10.8 to Registrant's Form 10-Q for the quarter ended May 3, 2014, Commission File No. 1-7562.

- 10.110 Agreement with Sabrina Simmons dated February 1, 2015 and confirmed on February 3, 2015, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended May 2, 2015, Commission File No. 1-7562.
- 10.111 Amended Service Agreement with Stephen Sunnucks dated June 10, 2009, filed as Exhibit 10.117 to Registrant's Form 10-K for the year ended February 2, 2013, Commission File No. 1-7562.
- 10.112 Amendment to the Amended Service Agreement with Stephen Sunnucks dated August 25, 2011, filed as Exhibit 10.118 to Registrant's Form 10-K for the year ended February 2, 2013, Commission File No. 1-7562.
- 10.113 Amendment to the Amended Service Agreement with Stephen Sunnucks dated May 30, 2012, filed as Exhibit 10.119 to Registrant's Form 10-K for the year ended February 2, 2013, Commission File No. 1-7562.
- 10.114 Agreement with Stephen Sunnucks dated October 31, 2012 and confirmed on November 1, 2012, filed as Exhibit 10.120 to Registrant's Form 10-K for the year ended February 2, 2013, Commission File No. 1-7562.
- 10.115 Amendment to Service Agreement Regarding Post-Termination Severance Period with Stephen Sunnucks dated June 4, 2014, filed as Exhibit 10.9 to Registrant's Form 10-Q for the quarter ended May 3, 2014, Commission File No. 1-7562.
- 10.116 Agreement with Stephen Sunnucks dated November 17, 2014, filed as Exhibit 10.133 to Registrant's Form 10-K for the year ended January 31, 2015, Commission File No. 1-7562.
- 10.117 Agreement with Sonia Syngal dated August 23, 2013 and confirmed on September 3, 2013, filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended November 2, 2013, Commission File No. 1-7562.
- 10.118 Amendment to Agreement for Post-Termination Benefits with Sonia Syngal dated June 4, 2014, filed as Exhibit 10.10 to Registrant's Form 10-Q for the quarter ended May 3, 2014, Commission File No. 1-7562.
- 10.119 Summary of Changes to Non-employee Director Compensation effective February 15, 2008, filed as Exhibit 10.6 to Registrant's Form 10-Q for the quarter ended May 3, 2008, Commission File No. 1-7562.
- 10.120 Summary of Changes to Non-employee Director Compensation, filed as Exhibit 10.5 to Registrant's Form 10-Q for the quarter ended May 2, 2009, Commission File No. 1-7562.
- 10.121 Summary of Changes to Executive Compensation Arrangements, filed as Exhibit 10.5 to Registrant's Form 10-Q for the quarter ended May 3, 2008, Commission File No. 1-7562.
- 10.122 Summary of Changes to Executive Compensation Arrangements, filed as Exhibit 10.6 to Registrant's Form 10-Q for the quarter ended May 2, 2009, Commission File No. 1-7562.
- 12 Ratio of Earnings to Fixed Charges. (2)

- 14 Code of Business Conduct, filed as Exhibit 14 to Registrant's Form 10-K for the year ended January 30, 2010, Commission File No. 1-7562.
- 21 Subsidiaries of Registrant. (2)
- 23 Consent of Independent Registered Public Accounting Firm. (2)
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer of The Gap, Inc. (Section 302 of the Sarbanes-Oxley Act of 2002). (2)
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer of The Gap, Inc. (Section 302 of the Sarbanes-Oxley Act of 2002). (2)
- 32.1 Certification of the Chief Executive Officer of The Gap, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (3)
- 32.2 Certification of the Chief Financial Officer of The Gap, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (3)
- 101 The following materials from The Gap, Inc.'s Annual Report on Form 10-K for the year ended January 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements. (2)

(1) Pursuant to a request for confidential treatment, confidential portions of this Exhibit have been redacted and have been filed separately with the Securities and Exchange Commission.

(2) Filed herewith.

(3) Furnished herewith.

EXPLANATORY NOTE

ON DECEMBER 15, 2015, SYNCHRONY BANK (F/K/A GE CAPITAL RETAIL BANK) AND SYNCHRONY FINANCIAL (“SYNCHRONY ENTITIES”) ENTERED INTO THE THIRD AMENDMENT TO THE AMENDED AND RESTATED CONSUMER CREDIT CARD PROGRAM AGREEMENT BY AND AMONG THE GAP, INC. (THE “COMPANY”), GAP (PUERTO RICO), INC., GPS CONSUMER DIRECT, INC., GAP (APPAREL), LLC, GAP (ITM) INC., AND THE SYNCHRONY ENTITIES, WHICH IS ATTACHED HERETO. THE SYNCHRONY ENTITIES ALSO ENTERED INTO THREE OTHER AGREEMENTS WITH CERTAIN OF THE COMPANY’S WHOLLY-OWNED SUBSIDIARIES ON THE SAME DAY:

1. THE THIRD AMENDMENT TO THE AMENDED AND RESTATED CONSUMER CREDIT CARD PROGRAM AGREEMENT BY AND AMONG THE GAP, INC., OLD NAVY, LLC, GAP (PUERTO RICO), INC., GPS CONSUMER DIRECT, INC., OLD NAVY (APPAREL), LLC AND OLD NAVY (ITM) INC. AND THE SYNCHRONY ENTITIES (THE “OLD NAVY CONTACT”);
2. THE THIRD AMENDMENT AMENDED AND RESTATED CONSUMER CREDIT CARD PROGRAM AGREEMENT BY AND AMONG THE GAP, INC., BANANA REPUBLIC, LLC, GAP (PUERTO RICO), INC., GPS CONSUMER DIRECT, INC., BANANA REPUBLIC (APPAREL), LLC, BANANA REPUBLIC (ITM) INC., AND THE SYNCHRONY ENTITIES (THE “BANANA REPUBLIC CONTRACT”); AND
3. THE THIRD AMENDMENT AMENDED AND RESTATED CONSUMER CREDIT CARD PROGRAM AGREEMENT BY AND AMONG THE GAP, INC., ATHLETA INC., ATHLETA LLC, ATHLETA (ITM) INC. AND GPS CONSUMER DIRECT, INC. AND THE SYNCHRONY ENTITIES (THE “ATHLETA CONTRACT”).

IN ACCORDANCE WITH INSTRUCTION 2 TO ITEM 601 OF REGULATION S-K, ONLY THE THIRD AMENDMENT TO THE AMENDED AND RESTATED CONSUMER CREDIT CARD PROGRAM AGREEMENT BY AND BETWEEN THE COMPANY AND THE SYNCHRONY ENTITIES IS BEING FILED. THE ONLY MATERIAL DIFFERENCE BETWEEN THE ATTACHED AGREEMENT, THE OLD NAVY CONTRACT, THE BANANA REPUBLIC CONTRACT AND THE ATHLETA CONTRACT IS THE PARTIES THERETO.

**THIRD AMENDMENT TO
AMENDED AND RESTATED CONSUMER CREDIT CARD
PROGRAM AGREEMENT**

This Third Amendment to the Amended and Restated Consumer Credit Card Program Agreement, dated as of December 15, 2015 (the "Amendment"), amends that certain Amended and Restated Consumer Credit Card Program Agreement dated as of February 28, 2014 (as amended, modified and supplemented from time to time, the "Agreement") by and among Synchrony Bank (f/k/a GE Capital Retail Bank), a federal savings bank ("Bank"), Synchrony Financial, a Delaware corporation ("Bank Parent"), The Gap, Inc., a Delaware corporation ("The Gap, Inc."), Gap (Puerto Rico), Inc., a Puerto Rico corporation, GPS Consumer Direct, Inc., a California corporation, Gap (Apparel), LLC, a California limited liability company, and Gap (ITM) Inc., a California corporation (jointly and severally, the "Retailers"). Capitalized terms used herein and not otherwise defined have the meaning given in the Agreement.

WHEREAS, Bank and Retailers are parties to the Agreement, pursuant to which Bank provides consumer credit to qualified customers of Retailers for the purchase of goods and services from Retailers through the use of a private label credit card and from Retailers and other retailers through the use of a co-branded bankcard;

WHEREAS, the parties hereto desire to amend the Agreement as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and subject to the terms and conditions hereinafter set forth, the parties hereby agree as follows:

I. AMENDMENTS TO THE AGREEMENT

1.1 Amendment to Article 1.

1.1.1 The definition of Absentee Transaction is deleted and replaced with the following:

“**Absentee Transaction**” means an Internet Purchase, a Catalog Purchase, or any Private Label Retailer Purchase or Co-brand Retailer Purchase made at an Approved Alternate Site where the Cardholder is not present.”

1.1.2 The definition of Athleta Retailer Location is deleted.

1.1.3 The following definition is added in its proper alphabetical location:

“**Athleta Retailers**” means the “Retailers”, as such term is defined in the Credit Card Program Agreement between Bank and Athleta, Inc. and certain of its Affiliates.”

1.1.4 The definition of Alternate Site is deleted and replaced with the following:

In this document, "[*]" indicates that confidential materials have been redacted from this document and filed separately with the Securities and Exchange Commission.**

“**Alternate Site**” means any form of retail distribution other than a Store, Catalog, (or, with respect to any entity participating in the Program pursuant to Section 13.02, any form of retail distribution operated by such entity), or Internet Site for use in the United States or Puerto Rico (e.g., kiosks, temporary special event promotional booths, short-term seasonal leases of retail or outlet stores).”

1.1.5 The definition of Credit Card Program Agreements is deleted and replaced with the following:

“**Credit Card Program Agreements**” means (i) this Agreement, (ii) that certain “Amended and Restated Consumer Credit Card Program Agreement” entered into by and between the Banana Republic Retailers and Bank, dated as of the date hereof (as may be amended or extended from time to time), (iii) that certain “Amended and Restated Consumer Credit Card Program Agreement” entered into by and between the Old Navy Retailers and Bank, dated as of the date hereof (as may be amended or extended from time to time), (iv) that certain “Consumer Credit Card Program Agreement” entered into by and between the Athleta Retailers and Bank, dated as of September 28, 2015, and (v) any other program agreements executed by and between Bank and any Affiliate of The Gap, Inc., in accordance with Section 13.03.”

1.1.6 The definition of Internet Site is deleted and replaced with the following:

“**Internet Site**” means the internet website with the internet address www.gap.com, and any other internet website maintained, operated or controlled by, or on behalf of, any Retailer and which markets Gap-branded goods or services provided, that “Internet Site” shall not include any internet website or portions thereof maintained by, or on behalf of, any Retailer if (i) such website or portions thereof are specifically designed to target customers who are residents of a country other than the United States or Puerto Rico and (ii) purchases made through such website or portions thereof and shipped to locations in the United States and Puerto Rico constitute less than 5% of the total number of purchases made through such website or portions thereof.”

1.1.7 The definition of Net Credit Card Sales is deleted and replaced with the following:

“**Net Credit Card Sales**” means, as of any date of determination, the sum of the Gap Net Credit Card Sales and the Other Net Credit Card Sales. As used herein, “Other Net Credit Card Sales” shall mean the sum of the amounts calculated in the same manner as the Gap Net Credit Card Sales but determined for each of the other three Credit Card Programs.”

1.1.8 The following definition is added in its proper alphabetical location:

““**Old Navy Canada**” means Old Navy (Canada) Inc.”

1.2 Amendment to Section 2.04(g). Section 2.04(g) is deleted and replaced with the following:

“(g) Bank shall manage and administer the Cardholders Rewards Program, which shall include those cardholders identified periodically by Retailers as being participants in the Best Customer Program, and provide reward points tracking and servicing functionality tied to the Accounts to support the Cardholder Rewards Program. Bank shall provide to Retailers not later than the monthly meeting of the Program Execution Committee, a rewards summary in the form set forth in Schedule 2.04(g). Bank shall also, at its own cost and expense, provide Retailers with the ability to include printable redemption certificates as part of the second page of a Cardholder’s monthly billing statement; provided, that Retailers shall, at their own cost and expense, have the option of including redemption certificates as inserts in the Cardholder’s monthly billing statement. If Retailers choose to implement their own Cardholder Rewards platform, then the parties will discuss in good faith a process to transition the Cardholder Rewards Program administration and management to Retailers, and the removal of costs associated with administering and managing the Cardholder Rewards Program from the Program P&L.”

1.3 Amendment to Section 3.04(k). Section 3.04(k) is deleted and replaced with the following:

“(k) Data Security.

(i) Each party shall implement appropriate administrative, technical, physical and organizational safeguards (including encryption and tokenization, at rest and in transit, as applicable, using current industry standards for approved security functions, such as those listed in the Federal Information Processing Standards (FIPS) 140-2 annex A) to protect the security, confidentiality, availability and integrity of all customer and/or Cardholder information, including but not limited to, [***] contemplated by this Section 3.04 in accordance with all Applicable Laws, including without limitation protecting against any anticipated threats or hazards, improper, unauthorized or unlawful Processing, any loss or any other compromise. Each party shall review such security measures regularly, [***], and update and maintain such security measures to comply with Applicable Laws and regulations. In addition, each Retailer and Bank, respectively, will, as appropriate, use [***] designed to properly dispose of all records containing personally identifiable information relating to Cardholders, whether in paper, electronic, or other form, including adhering to policies and procedures that require the destruction or erasure of electronic media containing such personally identifiable information so that the

information cannot practicably be read or reconstructed. For purposes of Section 3.04(k), “Process” or “Processing” means any operation or set of operations performed upon information from or about an identified or identifiable individual.

(ii) Each party shall implement and maintain an [***] data security incident management program and disaster recovery plans. Each party will review and amend its disaster recovery plans [***] in accordance with technology advances as needed. In the event there is [***] to a Cardholder or an identified or identifiable person tied to a Cardholder (“Customer Data”), [***] of Customer Data [***] of Customer Data whether [***] (“Security Incident”), each Retailer and Bank, as applicable, shall notify the other party [***] following discovery or notification of any Security Incident. Bank will notify Retailers by telephone [***] and by telephone and email to the general manager of the Program for Retailers, and Retailers will notify the [***] for the Program for Bank by [***]. Both parties agree to [***] cooperate to investigate and resolve the Security Incident, including [***], coordinating on the content of any notifications of the Security Incident. The party that suffers the Security Incident (the “Affected Party”) agrees: (i) to take action [***], to investigate the Security Incident, (ii) to identify [***] the effects of the Security Incident, (iii) properly document [***], if any, [***] to any regulatory and law enforcement agencies, and (iv) to implement [***] measures in response to such breach. The Affected Party also will provide the other party with [***] information regarding such breach to assist that other party in implementing its information security response program and, if applicable, in notifying affected Cardholders. Notwithstanding the foregoing, in the event of a Security Incident the parties shall work [***] in good faith to agree on a plan to use [***] methods to remediate such problems (“Remediation Plan”). Once the parties agree on a Remediation Plan, each party shall execute and complete its responsibilities [***] and notify the other party when such actions are completed.

(iii) Each party shall properly implement, maintain and enforce its own internal privacy and data security policies (and as applicable, the parties’ joint policies), and if requested by either party, the parties shall review all such policies relevant to the Processing of Customer Data. Each party agrees to implement and maintain the requirements set forth by [***] for the Processing, storage and/or transmission of credit card information and shall [***] its compliance with the [***]. Each party shall provide, at the other party’s request, [***]. If any point during the term of this Agreement or for as long as either party Processes Customer Data, if it is determined that such party is not in compliance with [***], such party shall work [***] to remedy such defect in order to achieve [***] compliance.

(iv) In addition to Section 9.02(g), upon reasonable advance notice and during normal business hours, either party may conduct a site visit of the other party’s facilities by representatives of the requesting party (including without limitation its independent third party auditor), provided that: (a) the

scope of the audit and Records Requests (defined below) are relevant and applicable to the terms of Section 3.04; (b) such site visit shall occur at a mutually agreeable time, [***]; (c) such site visit shall not unreasonably interfere with either party's business operations; (d) any third party representatives acting on behalf of either party shall execute nondisclosure agreement with the party whose site is being audited in a form reasonably acceptable to such party with respect to the confidential treatment and restricted use of such party's confidential information. Access at the party's facilities shall be subject to reasonable access requirements and security policies. [***] days prior to a scheduled visit, the auditing party shall provide a list of the records it seeks to inspect ("Records Request"). If there are objections to the auditing party reviewing particular records, the auditing party shall be notified [***], and the parties will discuss the matter [***] to arrive at a mutually agreed Records Request in [***] time possible. If either party, [***], is not able to have Records Requests available at the time of the on-site audit, such party shall notify the auditing party in advance, [***] to the site visit date and the parties will decide whether to proceed with the visit. If either party chooses not to exercise its right to an [***] onsite audit, the party may request a Records Request or may request additional written information from the other party as necessary to satisfy its own compliance obligations and ensure that the other party is operating in compliance with its privacy and security obligations outlined in this Section 3.04.

(v) Notwithstanding the foregoing, in the event of a determination by either party that a problem exists with the details disclosed during an onsite audit or during a Records Request, the parties shall work [***] to agree on a plan to use [***] methods to remediate such problems in a Remediation Plan. Once the parties agree on a Remediation Plan, each party shall execute and complete its responsibilities [***] and notify the other party when such actions are completed.

(vi) Each party shall ensure that it will have written agreements in place [***], and that such agreements shall contain terms that enable such party to comply with the data security and privacy obligations under this Agreement. If either party is aware that either party's [***] has experienced a Security Incident with respect to the Customer Data, such party will comply with the notification process in section 3.04(k)(ii) above.

(viii) Each party's obligations under this Section shall continue so long as it has access to or retain Customer Data."

Amendments to Section 3.08.

1.3.1 The last sentence of Section 3.08(a) is deleted and replaced with the following:

“Bank shall schedule each meeting of the Strategic Operating Council after consultation with Retailers as to the time and place for such meeting, and the parties will jointly develop an agenda in advance.”

1.3.2 Section 3.08(b) is deleted and replaced with the following:

“(b) The Strategic Operating Council shall consist of a minimum of ten (10) members. The general manager for the Program for Bank, on the one hand, and Retailers, on the other hand, shall each have the right to designate one-half of the members of the Strategic Operating Council. Any member of the Strategic Operating Council may be removed, with or without cause, by the party designating such member. Any vacancy on the Strategic Operating Council shall be filled by the party who designated the vacating member. All meetings of the Strategic Operating Council shall require a quorum consisting of not less than six members, at least three of whom shall be designees of Bank and at least three of whom shall be designees of Retailers. The Strategic Operating Council shall not approve any matter before it unless and until a majority of the Bank’s members of the Strategic Operating Council and a majority of the Retailers’ members of the Strategic Operating Council both approve such matter.”

1.3.3 The last sentence of Section 3.08(d) is deleted.

1.4 Amendments to Section 3.09.

1.4.1 The heading of Section 3.09 is deleted and replaced with the following: “**Program Execution Committee**”.

1.4.2 The last sentence of Section 3.09(a) is deleted and replaced with the following:

“Bank shall schedule each meeting of the Program Execution Committee after consultation with Retailers as to the time and place for such meeting, and the parties will jointly develop an agenda in advance.”

1.4.3 Section 3.09(b) is deleted and replaced with the following:

“(b) The Program Execution Committee shall consist of a minimum of six members, with at least one member of Bank and at least one member of Retailers also a member of the Strategic Operating Council. The general manager for the Program for Bank, on the one hand, and Retailers, on the other hand, shall each have the right to designate one-half of the members of the Program Execution Committee; provided, however, that Bank’s senior technology advisor for the Program shall be one of Bank’s members of the Program Execution Committee. Any member of the Program Execution Committee may be removed, with or

without cause, by the party designating such member. Any vacancy on the Program Execution Committee shall be filled by the party who designated the vacating member. All meetings of the Program Execution Committee shall require a quorum consisting of not less than four members, at least two of whom shall be designees of Bank and at least two of whom shall be designees of Retailers. The Program Execution Committee shall not approve any matter before it unless and until a majority of the Bank's members of the Program Execution Committee and a majority of the Retailers' members of the Program Execution Committee both approve such matter."

1.4.4 The last sentence of Section 3.09(d) is deleted.

1.4.5 Sections 3.09(f), 3.09(g), and 3.09(h) are deleted.

1.5 Amendment to Section 4.03. The penultimate sentence of Section 4.03 is deleted and replaced with the following:

"As of the Effective Date, the foregoing authorization structure shall be applied to the entities participating in the Program pursuant to Section 13.02, other than Gap Canada and Old Navy Canada (the transaction data for which, until subsequently agreed to by the parties, shall be processed through the Network)."

1.6 Amendment to Section 4.05(a). Section 4.05(a) is deleted and replaced with the following:

"(a) Bank will provide all customer service from servicing sites in the United States (including Puerto Rico), Canada, Mexico, India and the Philippines; provided that, until Retailers shall otherwise agree in writing, no more than [***] of customer service volume shall be provided from outside of the United States (including Puerto Rico), Canada and Mexico; and provided, further, that customer service volume shall be provided from Canada, Mexico and Puerto Rico only as required to provide customer service in French or Spanish, respectively, or as required in accordance with Bank's disaster recovery and call volume overflow practices. Notwithstanding the above, Bank shall be able to provide customer service from outside of the United States (including Puerto Rico), Canada and Mexico in excess of [***] in limited and extraneous circumstances to respond to unusual call volume without being in breach of this Section 4.05. At such time, Bank will notify Retailers of such unusual call volume and its response."

1.7 Amendments to Section 8.04.

1.7.1 Section 8.04(d) is deleted and replaced with the following:

"(d) During the Operation Period, (i) maintain a direct link from the Internet Site(s) to an on-line credit center webpage hosted and maintained by Bank ("Credit Center Site"), (ii) permit Cardholders to

make Private Label Retailer Purchases, Co-brand Retailer Purchases and Cross-Shopping Purchases on-line and to charge such purchases to their Accounts on the Internet Site(s); (iii) maintain and operate the Internet Site(s) so that all Absentee Transactions processed through such site(s) will be accepted on a secure basis; and (iv) promote the Program on the Internet Site(s). Retailers will cooperate with Bank in operating and maintaining the Credit Center Site, such that, as systems permit, the Credit Center Site will permit Retailers' customers to view their bills and to submit customer service inquiries directly to Bank, each online, and to permit Retailers' customers to apply for Credit Cards. Retailers shall not honor Credit Cards or submit Charge Transaction Data to Bank for the purchase of any Goods and/or Services from a Retailer where the Account information necessary to effect the purchase is provided through an Internet Site unless and until such Internet Site is maintained and operated as provided in the first sentence of this Section 8.04(d). All authorizations for on-line Private Label Retailer Purchases, Co-brand Retailer Purchases and Cross-Shopping Purchases will be separately tagged with a unique store-of-sale number.”

1.7.2 Section 8.04(g) is deleted and replaced with the following:

“(g) Cooperate with Bank to evaluate, and to the extent technically feasible, to implement mutually agreeable online fraud prevention procedures for Cardholders making Private Label Retailer Purchases, Co-brand Retailer Purchases and Cross-Shopping Purchases through an Internet Site.”

1.8 Amendments to Section 9.02(a).

1.8.1 Sections 9.02(a)(i) and 9.02(a)(ii) are deleted and replaced with the following:

“(i) Bank will provide [***] account managers for the Credit Card Programs, [***], with competencies and required skills to be mutually agreed upon by Bank and Retailers;

(ii) Bank will provide no less than [***] personnel dedicated to the Credit Card Programs, with at least [***]; provided, that Retailers shall have the right to propose to Bank (x) certain efficiency changes in the use and number of such personnel, and (y) such additional staffing as needed to appropriately support the Program, which proposals Bank shall consider in good faith; provided, that if Bank chooses not to implement Retailers' proposed changes, Bank will provide Retailers with a detailed explanation of Bank's reasons therefor;”

1.8.2 The reference in Section 9.02(a)(viii) to “Program Management Committee” is deleted and replaced with the following: “Program Execution Committee”.

1.9 Amendment to Section 9.02(n). Section 9.02(n) is deleted and replaced with the following:

“(n) Bank will cooperate with Retailers to evaluate, and to the extent technically feasible, to implement mutually agreeable online fraud prevention procedures for Cardholders making Purchases through an Internet Site.”

1.10 Amendment to Section 13.02. The last sentence of Section 13.02 is deleted and replaced with the following:

“As of the Effective Date, Bank acknowledges and agrees that Gap Canada and Old Navy Canada shall be deemed to have satisfied the conditions set forth in clauses (i) through (iii) above and shall be permitted to accept Private Label Credit Cards and Co-brand Credit Cards as contemplated by this Section.”

1.11 Amendment to Schedule 1.01(a). Schedule 1.01(a) is deleted and replaced with new Schedule 1.01(a), attached hereto as Attachment 1.

1.12 Deletion of Schedule 2.04(g)-1. Schedule 2.04(g)-1 is deleted all references to Schedule 2.04(g)-2 are renamed as follows: “Schedule 2.04(g)”.

1.13 Amendments to Schedule 3.07(i).

1.13.1 Part 1) of Schedule 3.07(i) is deleted and replaced with the following:

“1) [***].”

1.13.2 The reference in Part 4) of Schedule 3.07(i) to “May 8, 2022,” is deleted and replaced with the following: “April 30, 2022”.

1.14 Deletion of Schedule 3.08(b). Schedule 3.08(b) is deleted.

1.15 Deletion of Schedule 3.09(b). Schedule 3.09(b) is deleted.

1.16 Deletion of Schedule 3.09(g). Schedule 3.09(g) is deleted.

1.17 Deletion of Schedule 3.09(h). Schedule 3.09(h) is deleted.

1.18 Amendment to Schedule 9.02(w). Schedule 9.02(w) is deleted and replaced with new Schedule 9.02(w), attached hereto as Attachment 2.

II. General

2.1 Authority for Amendment. The execution, delivery and performance of this Amendment has been duly authorized by all requisite corporate action on the part of Retailers and Bank and upon execution by all parties, will constitute a legal, binding obligation thereof.

2.2 Effect of Amendment. Except as specifically amended hereby, the Agreement, and all terms contained therein, remains in full force and effect. The Agreement, as amended by this Amendment, constitutes the entire understanding of the parties with respect to the subject matter hereof.

2.3 Binding Effect; Severability. Each reference herein to a party hereto shall be deemed to include its successors and assigns, all of whom shall be bound by this Amendment and in whose favor the provisions of this Amendment shall inure. In case any one or more of the provisions contained in this Amendment shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

2.4 Further Assurances. The parties hereto agree to execute such other documents and instruments and to do such other and further things as may be necessary or desirable for the execution and implementation of this Amendment and the consummation of the transactions contemplated hereby and thereby.

2.5 Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Utah.

2.6 Counterparts. This Amendment may be executed in counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one agreement.

[The remainder of page intentionally left blank]

IN WITNESS WHEREOF, Bank, Bank Parent and Retailers have caused this Agreement to be executed by their respective officers thereunto duly authorized as the date first above written.

BANK:

SYNCHRONY BANK

By: /s/ Thomas M. Quindlen
Name: Thomas M. Quindlen
Title: EVP – Retail Card

BANK PARENT:

SYNCHRONY FINANCIAL

By: /s/ Thomas M. Quindlen
Name: Thomas M. Quindlen
Title: EVP – Retail Card

RETAILERS:

THE GAP, INC.

By: /s/ Sabrina Simmons
Name: Sabrina Simmons
Title: EVP & CFO

GAP (PUERTO RICO), INC.

By: /s/ Sabrina Simmons
Name: Sabrina Simmons
Title: EVP & CFO

GPS CONSUMER DIRECT, INC.

By: /s/ Sabrina Simmons
Name: Sabrina Simmons
Title: EVP & CFO

GAP (APPAREL), LLC

By: /s/ Sabrina Simmons
Name: Sabrina Simmons
Title: EVP & CFO

GAP (ITM) INC.

By: /s/ Sabrina Simmons
Name: Sabrina Simmons
Title: EVP & CFO

Schedule 1.01(a)
to
Consumer Credit Card Program

Competing Retailers

Abercrombie & Fitch
Aeropostale
American Eagle
Ann Taylor
Ann Taylor Loft
Babies R Us
Bloomingdale's
Brooks Brothers (card competitor)
Belks
Chico's
Children's Place
Eddie Bauer
Express
Gymboree & affiliate brands – Janie & Jack, Crazy 8
H&M
J Crew
JCPenney
J. Jill
Justice
Kohl's
Levi's
The Limited
Lord & Taylor
Lululemon
Macy's
Neiman Marcus
Nike
Nordstrom
Polo/Ralph Lauren
Reebok
Saks Fifth Avenue
Sears
Target
title nine
Under Armour
Victoria's Secret
Wal-Mart
Zara

**Schedule 9.02(w)
to
Consumer Credit Card Program
Network Reporting Form**

Visa Co-Brand Supplemental Documentation

For _____ [Program Name] _____

Issued by Synchrony Financial _____

In connection with the co-branded credit card program (the “**Program**”) established by Synchrony Bank (“**Issuer**”) and The Gap, Inc. (“**Merchant**”), and described in those certain Amended and Restated Consumer Credit Card Agreements, dated as of February 28, 2014 (and that certain Consumer Credit Card Agreement dated as of September 28, 2015), by and among Issuer, Merchant and certain related parties, Issuer certifies to the following:

Period reported: From _____ To _____ (the “**Reporting Period**”)

During the Reporting Period, the only general-purpose card brand(s) included on co-branded credit cards issued under Program was (were) the following: _____

Dollar amount of total Sales on the Program co-branded Visa card issued by Issuer: _____

Dollar Amount of total in-store sales on the Program co-branded Visa card issued by Issuer: _____

Total number of accounts in the Program:

Total number of cards in the Program:

Total number of active accounts (defined as having activity in the last 12 months) in the Program: _____

Sales per active Program account:

I certify that I am responsible for preparing this document on behalf of Issuer or Merchant and that I used commercially reasonable diligence gathering the foregoing information in accordance with Issuer's (or its affiliate's or contractor's) records and that to the best of my knowledge, the information contained in this document is accurate and complete.

By: _____

Name: _____

Title: _____

(Must be an officer of Issuer or Merchant)

Date: _____

GAP, INC.

DEFERRED COMPENSATION PLAN

(Originally Effective January 1, 2006)

(As Amended and Restated Effective November 17, 2015)

TABLE OF CONTENTS

			<u>PAGE</u>
	SECTION 1	INTRODUCTION	1
1.1	Purpose	1	
1.2	Effective Date; Plan Year	1	
1.3	Plan Administration	1	
1.4	Unfunded Nature of Plan	2	
	SECTION 2	DEFINITIONS	3
2.1	Account	3	
2.2	Accounting Date	3	
2.3	Beneficiary	3	
2.4	Board	3	
2.5	Bonus	3	
2.6	Bonus Deferrals	3	
2.7	Code	3	
2.8	Committee	3	
2.9	Company	4	
2.10	Compensation	4	
2.11	Compensation Committee	4	
2.12	Compensation Deferrals	4	
2.13	Continuous Service	4	
2.14	Effective Date	4	
2.15	Eligible Individual	5	
2.16	Employee	5	
2.17	Employer	5	
2.18	ERISA	5	
2.19	Gap Stock Fund	5	
2.20	Investment Funds	5	
2.21	Matching Contributions	6	
2.22	Participant	6	
2.23	Plan	6	
2.24	Plan Year/Plan Year Quarter/Fiscal Year	6	
2.25	Retirement	6	
2.26	Social Security Taxable Wage Base	6	
2.27	Spouse	6	
2.28	Termination Date	6	
2.29	Other Definitions	7	
	SECTION 3	ELIGIBILITY AND PARTICIPATION	8
3.1	Initial Eligibility	8	
3.2	Cessation of Participation	8	
3.3	Eligibility for Matching Contributions	8	

TABLE OF CONTENTS

(continued)

	<u>PAGE</u>
SECTION 4 DEFERRALS AND CONTRIBUTIONS	9
4.1 Compensation Deferrals	9
4.2 Bonus Deferrals	10
4.3 Matching Contributions	11
4.4 No Election Changes During Plan Year	11
4.5 Crediting of Deferrals	11
4.6 Reduction of Deferrals or Contributions	12
SECTION 5 NOTIONAL INVESTMENTS	13
5.1 Investment Funds	13
5.2 Investment Fund Elections	13
5.3 Investment Fund Transfers	13
SECTION 6 ACCOUNTING	15
6.1 Individual Accounts	15
6.2 Adjustment of Accounts	15
6.3 Accounting Methods	15
6.4 Statement of Account	16
SECTION 7 VESTING	17
SECTION 8 FUNDING	18
SECTION 9 DISTRIBUTION OF ACCOUNTS	19
9.1 Distribution of Accounts Prior to Retirement Date	19
9.2 Distribution of Accounts After Retirement Date	20
9.3 Key Employees	21
9.4 Mandatory Cash-Outs of Small Amounts	21
9.5 Designation of Beneficiary	21
9.6 Reemployment	22
9.7 Special Distribution Rules	22
SECTION 10 GENERAL PROVISIONS	24
10.1 Interests Not Transferable	24
10.2 Employment Rights	24
10.3 Litigation by Participants or Other Persons	24
10.4 Evidence	24
10.5 Waiver of Notice	24
10.6 Controlling Law	24
10.7 Statutory References	25
10.8 Severability	25
10.9 Action by the Company, the Employers or the Committee	25
10.10 Headings and Captions	25
10.11 Gender and Number	25

TABLE OF CONTENTS

(continued)

PAGE

10.12	Examination of Documents	25	
10.13	Elections	25	
10.14	Manner of Delivery	26	
10.15	Facility of Payment	26	
10.16	Missing Persons	26	
10.17	Recovery of Benefits	27	
10.18	Effect on Other Benefits	27	
10.19	Tax and Legal Effects	27	
	SECTION 11 PLAN ADMINISTRATION		28
11.1	Establishment of Committee	28	
11.2	Committee General Powers, Rights, and Duties	28	
11.3	Interested Committee Member	29	
11.4	Compensation and Expenses	29	
11.5	Information Required by Company	29	
11.6	Uniform Application of Rules	30	
11.7	Review of Benefit Determinations	30	
11.8	Company's Decision Final	30	
	SECTION 12 AMENDMENT AND TERMINATION		31

GAP, INC.
DEFERRED COMPENSATION PLAN

(Originally Effective January 1, 2006)

(As Amended and Restated Effective November 17, 2015)

SECTION 1 INTRODUCTION

1.1 Purpose

The Gap, Inc. (the “Company”) has established Gap, Inc. Deferred Compensation Plan (the “Plan”), to provide certain supplemental benefits to a select group of management employees of the Employers under the Plan, and to non-employee members of the Board of Directors of the Company, who contribute materially to the continued growth, development, and future success of the Employers.

The Plan is intended to comply with the American Jobs Creation Act of 2004, Code Section 409A, and related guidance. Accordingly, the provisions of the Plan shall be applied, construed and administered in compliance with the applicable requirements of Code Section 409A and the Treasury Regulations thereunder. In addition, should there arise any ambiguity as to whether any provisions of this Plan would contravene one or more applicable requirements or limitations of Code Section 409A, such provisions shall be interpreted, administered and applied in a manner that complies with the applicable requirements of Code Section 409A and the Treasury Regulations thereunder. For purposes of Code Section 409A, all payments to be made on account of termination of employment shall only be made upon of a “separation from service” under Code Section 409A and the Treasury Regulations thereunder. Payments under the Plan shall be paid on a permissible payment event in a manner that complies with Code Section 409A and the Treasury Regulations thereunder. In no event shall a Participant, directly or indirectly, designate the calendar year of payment.

The Plan is intended to constitute an account balance plan (as defined in IRS Notice 2005-1, Q&A-9).

1.2 Effective Date; Plan Year

The Plan is hereby effective January 1, 2006, except as otherwise set forth herein. The Plan is administered on the basis of a Plan Year, as defined in subsection 2.24.

1.3 Plan Administration

The Company shall be the administrator (as that term is defined in Section 3(16)(A) of ERISA) of the Plan and shall be responsible for the administration of the Plan; provided, however, the Company may delegate all or any part of its powers, rights and duties under the Plan to such person or persons as it may deem advisable. Any notice or document relating to the Plan which is to be filed with the Company may be delivered, or mailed by registered or certified

mail, postage pre-paid, to the Company, or to any designated Company representative, in care of the Company, at its principal office.

1.4 Unfunded Nature of Plan

The Plan is an unfunded, nonqualified deferred compensation plan that is intended to qualify for the exemptions provided in Sections 201, 301, and 401 of ERISA. Participants (and their Beneficiaries) shall have only those rights to payments as set forth in the Plan and shall be considered general, unsecured creditors of the Employers with respect to any such rights.

SECTION 2 DEFINITIONS

2.1 Account

“Account” means all notional accounts and subaccounts maintained for a Participant in order to reflect his interest under the Plan, as described in Section 6.

2.2 Accounting Date

“Accounting Date” means each day designated by the Company as of which the value of an Investment Fund is adjusted for notional deferrals, contributions, distributions, gains, losses, or expenses. To the extent not otherwise designated by the Committee, each Investment Fund will be valued as of each day on which the New York Stock Exchange is open for trading.

2.3 Beneficiary

“Beneficiary” means the person or persons to whom a deceased Participant’s benefits are payable under subsection 9.5.

2.4 Board

“Board” means the Board of Directors of the Company, as from time to time constituted.

2.5 Bonus

“Bonus” means an award of cash contingent upon the achievement of specified performance goals and payable to an Employee in a given year, with respect to the immediately preceding bonus performance period. “Sign-on Bonus” means an award of cash payable to the Employee upon or within a short period of time after date of hire, as determined in accordance with the Company’s compensation policies.

2.6 Bonus Deferrals

“Bonus Deferrals” means the amounts credited to a Participant’s Bonus Deferral Account pursuant to the Participant’s election made in accordance with subsection 4.2.

2.7 Code

“Code” means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing, or superseding such section.

2.8 Committee

“Committee” means the US Savings Plan Investment Committee of the Company, as described in Section 11.

2.9 Company

“Company” means The Gap, Inc. or any successor organization or entity that assumes the Plan.

2.10 Compensation

With respect to any Participant who is an Employee, “Compensation” means the Participant’s total remuneration from the Employer while the Participant is an Eligible Individual which, absent a deferral election under the Plan, would have otherwise been received by the Employee in the taxable year (excluding bonuses and taxable and nontaxable fringe benefits, and excluding overtime and commission payments; provided, however, that Compensation shall include vacation pay and vacation payouts, and all amounts contributed by an Employer pursuant to a salary reduction agreement which are not includable in the Employee's gross income under sections 125, 132(f), or 402(e)(3) of the Code) payable for pay periods commencing on or after the Effective Date; provided, however, that Compensation shall be determined for these purposes without regard to the dollar limitations in effect for qualified plans under Section 401(a)(17) of the Code. With respect to any Participant who is a non-employee member of the Board, “Compensation” means all cash remuneration which, absent a deferral election under the Plan, would have otherwise been received by the Board member in the taxable year, payable (for Fiscal Year quarters commencing after the Effective Date) to the Board member for service on the Board and on Board committees, including any cash payable for attendance at Board meetings and Board committee meetings, but not including any amounts constituting reimbursements of expenses to Board members.

2.11 Compensation Committee

“Compensation Committee” means the Compensation and Management Development Committee of the Company.

2.12 Compensation Deferrals

“Compensation Deferrals” means the amounts credited to a Participant’s Compensation Deferral Account pursuant to the Participant’s election made in accordance with subsection 4.1.

2.13 Continuous Service

The term “Continuous Service” shall have the meaning assigned to such term in the GapShare 401(k) Plan.

2.14 Effective Date

“Effective Date” means January 1, 2006.

2.15 Eligible Individual

“Eligible Individual” means each non-employee member of the Board or Employee of an Employer who satisfies the requirements set forth in Section 3. With respect to Employees, “Eligible Individual” does not include any Employee who is employed in a country other than the United States of America (“U.S.”) unless he: (i) has been temporarily transferred to employment with the Employers in a non-U.S. country; (ii) is a citizen or resident alien of the U.S. at the time of the transfer; and (iii) remains on the U.S. payroll.

2.16 Employee

“Employee” means a person who is employed by an Employer, is on the Employer’s regular payroll, and is treated and/or classified by the Employer as a common law employee for purposes of wage withholding for Federal income taxes. If a person is not considered to be an Employee of the Employer in accordance with the preceding sentence, a subsequent determination by the Employer, any governmental agency, or a court that the person is a common law employee of the Employer, even if such determination is applicable to prior years, will not have a retroactive effect for purposes of eligibility to participate in the Plan.

2.17 Employer

“Employer” means The Gap, Inc. and any affiliate or subsidiary of the Company as defined in Subsections 414(b) and (c) of the Code that has adopted the Plan on behalf of its Eligible Individuals with the consent of the Company.

2.18 ERISA

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific section of ERISA shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing, or superseding such section.

2.19 Gap Stock Fund

“Gap Stock Fund” means an Investment Fund offered under the Plan having a notional investment return based on the performance of the common stock of the Company, in accordance with rules and procedures established by the Committee. Effective January 1, 2009, the Gap Stock Fund shall be frozen and no new notional investments shall be made to the Gap Stock fund after December 31, 2008. Effective January 1, 2009, a Participant shall not be permitted to elect to transfer additional amounts into the Gap Stock Fund. The Gap Stock Fund shall be liquidated on March 2, 2009.

2.20 Investment Funds

“Investment Funds” means the notional funds or other investment vehicles designated pursuant to subsection 5.1.

2.21 Matching Contributions

“Matching Contributions” means the amounts credited to a Participant’s Matching Contribution Account under the Plan by the Employer, in accordance with subsection 4.3.

2.22 Participant

“Participant” means an Eligible Individual who meets the requirements of Section 3 and elects to make Compensation Deferrals pursuant to Section 4. By becoming a Participant and making deferrals under this Plan, each Participant agrees to be bound by the provisions of the Plan and the determinations of the Company and the Committee hereunder.

2.23 Plan

“Plan” means the Gap Inc. Deferred Compensation Plan, as set forth in this instrument and as hereafter amended from time to time.

2.24 Plan Year/Plan Year Quarter/Fiscal Year

“Plan Year” means each 12-month period beginning January 1 and ending the following December 31. “Plan Year Quarter” means each three-month period ending March 31, June 30, September 30 and December 31. “Fiscal Year” means the fiscal year of the Company.

2.25 Retirement

“Retirement” for purposes of this Plan means, with respect to an Employee Participant, the Participant’s separation from service (within the meaning of Section 409A of the Code and the regulations, notices and other guidance thereunder) with the Employers, the Company and any subsidiary or affiliate of the Company as defined in Sections 414(b) and (c) of the Code after attaining age 50, and, with respect to a non-employee Board member Participant, the Participant’s resignation or removal from the Board after attaining age 50.

2.26 Social Security Taxable Wage Base

“Social Security Taxable Wage Base” means the maximum amount of earnings subject to payroll taxes in a given year, as announced annually by the Social Security Administration.

2.27 Spouse

“Spouse” means the person to whom a Participant is legally married under applicable state law at the earlier of the date of the Participant’s death or the date payment of the Participant’s benefits commenced and who is living on the date of the Participant’s death.

2.28 Termination Date

“Termination Date” means, with respect to an Employee Participant, the date on which the Participant has a separation from service (within the meaning of Section 409A of the Code

and the regulations, notices and other guidance thereunder, including death) with the Employers, the Company and any subsidiary or affiliate of the Company, and, with respect to a non-employee Board member Participant, the date on which the Board member resigns, is removed or otherwise terminates service on the Board (including death). The date that an Employee's performance of services for all the Employers is reduced to a level of less than 20% of the average level of services performed in the preceding 36-month period, shall be considered a Termination Date, and the performance of services at a level of 50% or more of the average level of services performed in the preceding 36-month period shall not be considered a Termination Date.

2.29 Other Definitions

Other defined terms used in the Plan shall have the meanings given such terms elsewhere in the Plan.

SECTION 3 ELIGIBILITY AND PARTICIPATION

3.1 Initial Eligibility

For each Plan Year, each (a) Employee of an Employer who is employed at the level of “director” or higher (as determined by the Company) and who has Compensation greater than 150% of the Social Security Taxable Wage Base for the prior Plan Year, and (b) non-employee member of the Board shall be an Eligible Individual eligible to participate in the Plan while he is determined by the Company to satisfy the criteria described in (a) immediately preceding, who is eligible to participate in the Plan by making a deferral election pursuant to Section 4. An Eligible Individual’s eligibility for any Plan Year shall be determined as of November 1 of the preceding Plan Year, based on the Eligible Individual’s position and Compensation, and on the Social Security Taxable Wage Base in effect on that November 1 date.

With respect to an Employee who first becomes an Eligible Individual (by virtue of a promotion, Compensation increase, commencement of employment with the Employers, or any other reason), the determination of such eligibility shall be based on the Employee’s position and Compensation in effect on the date of such initial eligibility, but shall be based on the Social Security Taxable Wage Base in effect during the preceding Plan Year.

Each Eligible Individual’s decision to become a Participant shall be entirely voluntary. An Eligible Individual who makes a deferral election pursuant to Section 4 shall become a Participant in the Plan.

3.2 Cessation of Participation

If a Participant ceases to be an Eligible Individual, no further Compensation Deferrals, Bonus Deferrals (if applicable) or Matching Contributions (if applicable) shall be credited to the Participant’s Accounts after the end of the Plan Year following the date the Participant ceases to be eligible, unless he is again determined to be an Eligible Individual, but the balance credited to his Accounts shall continue to be adjusted for notional investment gains and losses under the terms of the Plan and shall be distributed to him at the time and manner set forth in Section 9. An Employee or Board member shall cease to be a Participant after his Termination Date or other loss of eligibility as soon as his entire Account balance has been distributed.

3.3 Eligibility for Matching Contributions

An Employee Participant who has satisfied the length-of-service requirements necessary to become an “Eligible Employee” under the GapShare 401(k) Plan, and who has made a Compensation Deferral election pursuant to subsection 4.1 herein, shall be eligible to receive Matching Contributions described in subsection 4.3.

SECTION 4 DEFERRALS AND CONTRIBUTIONS

4.1 Compensation Deferrals

Each Plan Year, an Eligible Individual may elect to defer receipt (in increments of one percent) of up to 75 percent (with respect to Employee Eligible Individuals) or 100 percent (with respect to non-employee Board member Eligible Individuals) of his Compensation (or such other percentages as determined by the Company) earned with respect to pay periods beginning on and after the effective date of the election (or, in the case of non-employee Board member Eligible Individuals, Compensation earned with respect to Fiscal Year quarters beginning on and after the effective date of the election); provided, however, that Compensation earned prior to the date the Participant satisfies the eligibility requirements of Section 3 shall not be eligible for deferral under this Plan. In the case of an Employee, or non-employee Board member who is rehired (or who recommences Board Service) after having previously been an Eligible Individual, the phrase “first becomes an Eligible Individual” in the first sentence of the preceding paragraph shall be interpreted to apply only where the Eligible Individual is rehired (or recommences Board Service or recommences providing services to an Employer) at least 24 months after his last day as a previously Eligible Individual prior to again becoming such an Eligible Individual. In all other cases such rehired Employee or Board Member may not elect to make Compensation Deferrals until the next date determined by the Company with respect to Compensation earned after the following January 1. Similarly, in the case of an Employee who recommences status as an Eligible Individual for any other reason after having previously lost his status as an Eligible Individual (due to Compensation fluctuations, transfer from an ineligible location or job classification, or otherwise), the phrase “first becomes an Eligible Individual” shall be interpreted to apply only where the Eligible Individual regains his status as an Eligible Individual at least 24 months after his last day as a previously Eligible Individual prior to again becoming such an Eligible Individual. In all other cases such Re-Eligible Participant may not elect to make Compensation Deferrals until the next date determined by the Company with respect to Compensation earned after the following January 1. Except as otherwise provided in this subsection, a Participant’s deferral election for a Plan Year under this subsection must be made not later than December 31 of the preceding Plan year with respect to Compensation earned during the first payroll period of the next calendar year (considered for purposes of the Plan to be the payroll period containing December 31 of the prior year) or, in the case of Board Members, Compensation earned in fiscal year quarters beginning on and after January 1 of the following calendar year. An Employee or non-employee Board member who first becomes an Eligible Individual after the Effective Date (by virtue of a promotion, Compensation increase, commencement of employment with the Employers, commencement of Board service, or any other reason) shall be provided enrollment documents (including deferral election forms) with respect to his Compensation as soon as administratively feasible following such initial eligibility. Such Eligible Individual shall be permitted to defer his Compensation earned in the pay period (as soon as administratively practicable) (or, in the case of non-employee Board members, his Compensation earned in the Fiscal Year quarter) that begins following receipt of his properly completed election forms by the Company or its designee. Any such deferral election under this subsection must be made within 30 days of the date the Employee or Board Member first becomes an Eligible Individual; provided, however, that the date that an Employee or Board Member first becomes Eligible for the Plan shall be determined based on proper notification of the Employee or Board

Member by the Company in accordance with procedures determined by the Company. If an Eligible Individual does not elect to make Compensation Deferrals during that initial 30-day period, he may not elect to make Compensation Deferrals until the next date determined by the Company with respect to Compensation earned after the following January 1 (or, in the case of non-employee Board members, with respect to Compensation earned in the Fiscal Year quarter beginning after the following January 1).

An election to make Compensation Deferrals under this subsection 4.1 shall be irrevocable, and shall remain in effect for Compensation earned during the last payroll period ending on or before December 30 of the calendar year to which the election applies while the Participant is an Eligible Individual (or, in the case of non-Employee Board members, for Compensation earned through the Fiscal Year quarter that ends on or after December 31 of the calendar year to which the election applies). If a Participant fails to make a Compensation Deferral election for a given Plan Year, such Participant's Compensation Deferral election for that Plan Year shall be deemed to be zero.

4.2 Bonus Deferrals

Each Plan Year, an Eligible Individual who is an Employee may elect to defer receipt (in increments of one percent) of up to 90 percent (or such other percentage as determined by the Company) of his Bonus for the next following Bonus "performance period" (generally a period of six months or longer, in which the Employee performs the services forming the basis for the Bonus) that begins in the Plan Year following the Plan Year of the Employee's election. A Participant's Bonus deferral election with respect to a Plan Year must be made at a time and in a manner determined by the Company, in its sole discretion, but in no event shall the deferral election be made later than December 31 of the preceding Plan Year. Notwithstanding the foregoing, effective January 1, 2008, an Employee who first becomes an Eligible Individual during a Plan Year by virtue of commencement of employment with the Employers shall be permitted to make a Bonus Deferral election to defer receipt of up to 90 percent (or such other amount as determined by the Company) of his Bonus (other than his Sign-on Bonus) into the Plan, but only if he makes such election within 30 days of first becoming an Eligible Individual. In case such Bonus Deferral election in the first year of eligibility described in the preceding sentence is made after the beginning of the Bonus performance period, the Bonus Deferral election will apply only to the portion of the Bonus equal to the total amount of the Bonus for the performance period multiplied by the ratio of the number of days remaining in the performance period after the effective date of the Bonus Deferral election over the total number of days in the performance period. If an Eligible Individual does not elect to make a Bonus Deferral election during that initial 30-day period, he may not later elect to make an election for that performance period under this subsection. Notwithstanding the foregoing, an Employee who first becomes an Eligible Individual by virtue of commencement of employment with the Employers and who is eligible to receive a Sign-on Bonus shall be permitted to defer receipt of up to 90 percent (or such other amount as determined by the Company) of his Sign-on Bonus into the Plan, but only if he makes such election within 30 days of the date he first becomes an Eligible Individual. In the event that a Participant's Sign-on Bonus is revoked, rescinded or forfeited in accordance with

rules established by the Company, any amount of such Sign-on Bonus deferred into the Plan, adjusted for any notional earnings or losses thereon, shall be forfeited from such Participant's Account, and shall be applied to offset the Employers' Matching Contributions required in succeeding Plan Years or shall be returned to the applicable Employer, at the Company's discretion. The Company may establish procedures to limit the Investment Fund options available to a Participant with respect to Sign-on Bonus deferrals.

An election to make Bonus Deferrals under this subsection 4.2 shall be irrevocable and shall remain in effect through the end of the applicable Bonus performance period. If a Participant fails to make a Bonus Deferral election for a given Plan Year, such Participant's Bonus Deferral election for that Plan Year shall be deemed to be zero.

4.3 Matching Contributions

Matching Contributions shall be credited to the Matching Contribution Accounts of Employee Participants who have satisfied the requirements of subsection 3.3 and in accordance with the requirements of this subsection 4.3. The amount of any such Matching Contribution with respect to a Participant shall be equal to the Participant's Compensation Deferrals, but in no event greater than 4% of such amount of the Participant's Compensation (earned while the Participant satisfies the eligibility requirements under Section 3 of the Plan and under the GapShare 401(k) Plan) that exceeds the annual compensation limits provided under Code Section 401(a)(17) (\$265,000 in 2015).

Any Matching Contributions made on behalf of Employee Participants under this Plan shall be credited to such Employee Participants' Matching Contribution Accounts on an annual basis, as soon as administratively feasible after December 31 of the Plan Year, but only with respect to Employee Participants employed by an Employer on the last day of the applicable Plan Year. Notwithstanding the foregoing, effective September 1, 2011, Matching Contributions will also be payable as described in this subsection 4.3 to Participants not employed on the last day of the applicable Plan Year if, as of that date, the Participant is on an Employer's payroll pursuant to a severance pay arrangement, or the Participant retired from service from the Employers in the applicable Plan Year after attaining age sixty (60) with five (5) years of Continuous Service.

4.4 No Election Changes During Plan Year

A Participant shall not be permitted to change or revoke his deferral elections. If a Participant's status changes such that he becomes ineligible for the Plan during a Plan Year, the Participant's deferrals under the Plan shall continue through the end of such Plan Year, as described in subsection 3.2.

4.5 Crediting of Deferrals

The amount of deferrals pursuant to subsections 4.1 and 4.2 shall be credited to the Participant's Accounts as of a date not later than 15 business days after the date on which the amount (but for the deferral) otherwise would have been paid to the Participant.

4.6 Reduction of Deferrals or Contributions

Any deferrals or contributions to be credited to a Participant's Account under this Section may be reduced by an amount equal to the Federal or state income, payroll, or other taxes required to be withheld on such deferrals or contributions or to satisfy any necessary employee welfare plan contributions. A Participant shall be entitled only to the net amount of such deferral or contribution (as adjusted from time to time pursuant to the terms of the Plan).

SECTION 5 NOTIONAL INVESTMENTS

5.1 Investment Funds

The Committee may designate, in its discretion, one or more Investment Funds for the notional investment of Participants' Accounts. The Committee, in its discretion, may from time to time establish new Investment Funds or eliminate existing Investment Funds. The Investment Funds are for recordkeeping purposes only and do not allow Participants to direct any Company assets (including, if applicable, the assets of any trust related to the Plan). Each Participant's Accounts shall be adjusted pursuant to the Participant's notional investment elections made in accordance with this Section 5, except as otherwise determined by the Committee in its sole discretion. Effective as of the beginning of business on January 1, 2009, the Gap Stock Fund shall be frozen and no new notional investments shall be made to the Gap Stock Fund after December 31, 2008. The Gap Stock Fund shall be discontinued and liquidated as described in subsection 5.2 of the Plan.

5.2 Investment Fund Elections

A Participant may elect from among the Investment Funds for the notional investment of his Accounts from time to time in accordance with procedures established by the Company. The Company, in its discretion, may adopt (and may modify from time to time) such rules and procedures as it deems necessary or appropriate to implement the notional investment of the Participant's Accounts. Such procedures may differ among Participants or classes of Participants, as determined by the Company in its discretion. The Company may limit, delay or restrict the notional investment of certain Participants' Accounts in accordance with Committee rules in order to comply with Company policy and applicable law or to minimize regulated filings and disclosures. Any deferred amounts subject to a Participant's investment election that must be so limited, delayed or restricted under such circumstances may be notionally invested in an Investment Fund designated by the Committee, or may be credited with earnings at a rate determined by the Committee, which rate may be zero. A Participant's notional investment election shall remain in effect until later changed in accordance with the rules of the Company. If a Participant does not make a notional investment election, all deferrals by the Participant and contributions on his behalf will be deemed to be notionally invested in the Investment Fund designated by the Committee for such purpose. Notwithstanding the foregoing and any other provision of the Plan to the contrary, amounts subject to a Participant's notional investment election to defer amounts into the Gap Stock Fund after December 31, 2008 shall be notionally invested in the RiverSource Cash Management Fund, and shall be credited with notional interest through March 1, 2009. Amounts remaining in the RiverSource Cash Management Fund or any amounts remaining in the Gap Stock Fund shall be liquidated and automatically transferred into the American Funds Balanced Fund on or as soon as administratively feasible after March 2, 2009.

5.3 Investment Fund Transfers

A Participant may elect that all or a part of his notional interest in an Investment Fund shall be transferred to one or more of the other Investment Funds. A Participant may make such

notional Investment Fund transfers in accordance with rules established from time to time by the Company, and in accordance with subsection 5.2. Effective January 1, 2009, a Participant shall not be permitted to elect to transfer additional amounts into the Gap Stock Fund. If a Participant does not make an election to transfer amounts out of the Gap Stock Fund prior to March 1, 2009, the Participant's Accounts invested in the Gap Stock Fund or the RiverSource Cash Management Fund shall be transferred to the American Funds Balanced Fund on or as soon as administratively feasible after March 2, 2009.

SECTION 6 ACCOUNTING

6.1 Individual Accounts

The Company will maintain in the name of each Participant, as applicable, the following Accounts, and any subaccounts under such Accounts deemed necessary or advisable by the Company from time to time:

- (a) Compensation Deferral Account. A Compensation Deferral Account to reflect the Participant's Compensation Deferrals and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.
- (b) Bonus Deferral Account. A Bonus Deferral Account to reflect the Participant's Bonus Deferrals, if applicable, and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.
- (c) Matching Contribution Account. A Matching Contribution Account to reflect the Matching Contributions credited on behalf of the Participant, if applicable, and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.

The Company may establish such rules and procedures relating to the maintenance, adjustment, and liquidation of Participants' Accounts, the crediting of deferrals and contributions and the notional gains, losses, expenses, appreciation, and depreciation attributable thereto, as it considers necessary or advisable. In addition to the Accounts described above, the Company may maintain other Accounts or subaccounts in the names of Participants or otherwise as the Company considers necessary or desirable.

6.2 Adjustment of Accounts

Pursuant to rules established by the Company and applied on a uniform basis, Participants' Accounts will be adjusted on each Accounting Date, except as provided in Section 9, to reflect the value of the various Investment Funds as of such date, including adjustments to reflect any deferrals and contributions, notional transfers between Investment Funds, and notional gains, losses, expenses, appreciation, or depreciation with respect to such Accounts since the previous Accounting Date. The "value" of an Investment Fund at any Accounting Date shall be based on the fair market value of the Investment Fund, as determined by the Company.

6.3 Accounting Methods

The accounting methods or formulae to be used under the Plan for purposes of monitoring Participants' Accounts, including the calculation and crediting of notional gains, losses, expenses, appreciation, or depreciation, shall be determined by the Company in its sole discretion. The accounting methods or formulae selected by the Company may be revised from time to time.

6.4 Statement of Account

At such times and in such manner as determined by the Company, but at least annually, each Participant will be furnished with a statement reflecting the condition of his Accounts.

SECTION 7 VESTING

A Participant shall be fully vested at all times in his Compensation Deferral Account, Bonus Deferral Account (if applicable) and Matching Contribution Account (if applicable), except as otherwise provided in subsection 4.2 with respect to Sign-on Bonuses, which are subject to a one-year vesting period.

Neither the Company nor the Employers in any way guarantee the Participant's Account balance from loss or depreciation. Notwithstanding any provision of the Plan to the contrary, the Participant's Account balance is subject to Section 8.

SECTION 8 FUNDING

No Participant or other person shall acquire by reason of the Plan any right in or title to any assets, funds, or property of the Employers whatsoever, including, without limiting the generality of the foregoing, any specific funds, assets, or other property of the Employers. Benefits under the Plan are unfunded and unsecured. A Participant shall have only an unfunded, unsecured right to the amounts, if any, payable hereunder to that Participant. The Employers' obligations under this Plan are not secured or funded in any manner, even if the Company elects to establish a trust with respect to the Plan. Even though benefits provided under the Plan are not funded, the Company may establish a trust to assist in the payment of benefits. All investments under this Plan are notional and do not obligate the Employers (or their delegates) to invest the assets of the Employers or of any such trust in a similar manner.

SECTION 9 DISTRIBUTION OF ACCOUNTS

9.1 Distribution of Accounts Prior to Retirement Date

With respect to any Participant who has a Termination Date that precedes his Retirement date, an amount equal to the Participant's Accounts (including the Compensation Deferral Account, the Bonus Deferral Account, the Matching Contribution Account, and all notional earnings thereon) shall be distributed to the Participant (or, in the case of the Participant's death, to the Participant's Beneficiary), in the form of a single lump sum payment. Subject to subsection 9.3 hereof, it is the Company's intention to distribute a Participant's Accounts payable in a lump sum under this subsection 9.1 on the first day of the fourth month following the Participant's Termination Date, or, if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant or his beneficiary, during the first calendar year in which the calculation of the amount is administratively practicable. Notwithstanding any provision of the Plan to the contrary, for purposes of this Subsection, a Participant's Accounts shall be valued as of an Accounting Date as soon as administratively feasible preceding the date such distribution is made, in accordance with rules established by the Company.

Notwithstanding the foregoing:

- (a) In-Service Distribution Elections. A Participant who is an Employee may elect, in accordance with this Subsection, a distribution date for his Bonus Deferral and Compensation Deferral Accounts that is prior to his Termination Date (an "in-service distribution"). A Participant's election of an in-service distribution date must: (i) be made at the time of his Bonus and Compensation Deferral election for a Plan Year; (ii) apply only to amounts deferred pursuant to that election; and (iii) be irrevocable. Effective for each Plan Year commencing on or after January 1, 2016, a Participant may elect a separate in-service distribution date with respect to a particular Plan Year's Bonus Deferrals than with respect to a particular Plan Year's Compensation Deferrals. The applicable in service distribution date must not be earlier than five (5) years following the later of (i) the Plan Year in which the applicable Bonus would have been paid absent the deferral and (ii) the Plan Year in which the applicable Compensation would have been paid absent the deferral, or as further determined or limited in accordance with rules established by the Committee. In no event shall a Participant be permitted to elect an in-service distribution of his Matching Contribution Account.
- (b) Board Compensation Deferrals. A Participant who is a non-employee Board member may elect, in accordance with Section 4, to elect a distribution date for his Compensation Deferral Account for any Plan Year that is prior to his Termination Date. A Participant's election of a date under this subsection (b) must: (i) be made at the time of his Compensation Deferral election for a Plan Year; (ii) apply only to amounts deferred pursuant to that election; and (iii) be irrevocable. Such in-service distribution date must not be earlier than five (5) years following the Plan Year in which such Compensation would have been paid to him absent the deferral, or as further determined or limited in accordance with rules established by the Company.

Subject to subsection 9.3 hereof, it is the intention of the company to make payments pursuant to an in-service distribution election under subparagraphs (a) or (b) of this subsection 9.1 by the end of the calendar year in which the payment was elected to be made, or, if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant or his beneficiary, during the first calendar year in which the calculation of the amount is administratively practicable. For purposes of such payment, the value of the Participant's Accounts for the applicable Plan Year shall be determined as of an Accounting Date preceding the date that such distribution is made, in accordance with rules established by the Company. In the event a Participant's Termination Date occurs prior to the date the Participant had previously elected to have an in-service distribution payment made to him, such amount shall be paid to the Participant in a single lump sum in accordance with this subsection 9.1.

9.2 Distribution of Accounts After Retirement Date

A Participant may elect to receive payments from his Accounts in the form of a single lump sum, as described in Section 9.1, or in annual installments for 5, 10, or 15 years. Such election shall not be effective if the Participant's Termination Date occurs before he reaches his Retirement date (age 50). Subject to subsection 9.3 hereof, it is the Company's intention to distribute a Participant's Accounts payable in a lump sum under this subsection 9.2 on the first day of the fourth month following the Participant's Termination Date, or, if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant or his beneficiary, during the first calendar year in which the calculation of the amount is administratively practicable. To the extent a Participant fails to make an election, the Participant shall be deemed to have elected to receive his distribution for that Plan Year in the form of a single lump sum. Effective for each Plan Year commencing on or after January 1, 2016, a Participant may make a separate election with respect to his Bonus Deferrals for each Plan Year (as adjusted for gains and losses thereon) that provides for a different method of distribution from the method of distribution he elects with respect to his Compensation Deferrals (as adjusted for gains and losses thereon) for that Plan Year. The Participant's Matching Contributions Account attributable to such Plan Year, if any (as adjusted for gains and losses thereon), shall be distributed in the same manner as his Compensation Deferral Account for such Plan Year.

(a)Installment Elections. A Participant will be required to make his distribution election prior to the commencement of each Plan Year.

(b)Installment Payments. It is the intention of the Company to make the first installment payment by the end of the calendar year in which occurs the Participant's Retirement Date or death, or, if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant or his beneficiary, during the first calendar year in which the calculation of the amount is administratively practicable. Succeeding payments shall be made by the end of each succeeding calendar year, or as soon as administratively feasible for the Company to make such payment. The amount to

be distributed in each installment payment shall be determined by dividing the value of the Participant's Accounts as of an Accounting Date preceding the date of each distribution by the number of installment payments remaining to be made, in accordance with rules established by the Company. In the event of the death of the Participant prior to the full payment of his Accounts, payments will continue to be made to his Beneficiary in the same manner and at the same time as would have been payable to the Participant, but substituting the Participant's date of death for the Participant's Retirement Date.

9.3 Key Employees

Notwithstanding anything herein to the contrary, and subject to Code Section 409A, payment shall not be made or commence as a result of the Participant's Termination Date to any Participant who is a key employee (defined below) before the date that is not less than six months after the Participant's Termination Date. For this purpose, a key employee includes a "specified employee" (as defined in Code Section 409A(a)(2)(B)) during the entire 12-month period determined by the Company ending with the annual date upon which key employees are identified by the Company, and also including any Employee identified by the Company in good faith with respect to any distribution as belonging to the group of identified key employees, to a maximum of 200 such key employees, regardless of whether such Employee is subsequently determined by the Employer, any governmental agency, or a court not to be a key employee. In the event amounts are payable to a key employee in installments in accordance with subsection 9.2, the first installment shall be delayed by six months, with all other installment payments payable as originally scheduled. The identification date for determining key employees shall be each December 31 (and the new key employee list shall be updated and effective each subsequent April 1).

9.4 Mandatory Cash-Outs of Small Amounts

If the value of a Participant's total Accounts equals the applicable dollar amount under Section 402(g) of the Code, or less at his Termination Date (or his death), or at any time thereafter, the Accounts will be paid to the Participant (or, in the event of his death, his Beneficiary) in a single lump sum, notwithstanding any election by the Participant otherwise. Subject to subsection 9.3 hereof, it is the Company's intention to distribute a Participant's Accounts payable in a lump sum under this subsection 9.4 on the first day of the fourth month following the Participant's Termination Date, or, if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant or his beneficiary, during the first calendar year in which the calculation of the amount is administratively practicable.

9.5 Designation of Beneficiary

Each Participant from time to time may designate any individual, trust, charity or other person or persons to whom the value of the Participant's Accounts will be paid in the event the Participant dies before receiving the value of all of his Accounts. A Beneficiary designation must be made in the manner required by the Company for this purpose. Primary and secondary

Beneficiaries are permitted. Payments to the Participant's Beneficiary(ies) shall be made in accordance with subsection 9.1, 9.2 or 9.4, as applicable, after the Company has received proper notification of the Participant's death.

A Beneficiary designation will be effective only when the Beneficiary designation is filed with the Company while the Participant is alive, and a subsequent Beneficiary designation will cancel all of the Participant's Beneficiary designations previously filed with the Company. Any designation or revocation of a Beneficiary shall be effective as only if it is received by the Company. Once received, such designation shall be effective as of the date the designation was executed, but without prejudice to the Company on account of any payment made before the change is recorded by the Company. If a Beneficiary dies before payment of the Participant's Accounts have been made, the Participant's Accounts shall be distributed in accordance with the Participant's Beneficiary designation and pursuant to rules established by the Company. If a deceased Participant failed to designate a Beneficiary, or if the designated Beneficiary predeceases the Participant, the value of the Participant's Accounts shall be payable to the Participant's Spouse or, if there is none, to the Participant's estate, or in accordance with such other equitable procedures as determined by the Company.

9.6 Reemployment

If a former Participant is rehired by an Employer, the Company or any affiliate or subsidiary of the Company described in Section 414(b) and (c) of the Code, regardless of whether he is rehired as an Eligible Individual (with respect to an Employee Participant), or a former Participant returns to service as a Board member, any payments being made to such Participant hereunder by virtue of his previous Termination Date shall continue. If a former Participant is rehired by the Employer (with respect to an Employee Participant) or returns to service as a Board member, and in either case any payments to be made to the Participant by virtue of his previous Termination Date have not been made or commenced, such Participant shall no longer be entitled to such payments until his subsequent Termination Date.

9.7 Special Distribution Rules

Except as otherwise provided herein and in Section 12, Account balances of Participants in this Plan shall not be distributed earlier than the applicable date or dates described in this Section 9. Notwithstanding the foregoing, in the case of payments: (i) the deduction for which would be limited or eliminated by the application of Section 162(m) of the Code; (ii) that would violate securities or other applicable laws; or (iii) that would violate loan covenants or other contractual terms to which an Employer is a party, where such a violation would result in material harm to an Employer; the payment may be delayed in the discretion of the Company. In the case of a payment described in (i) above, the payment must be deferred either to a date in the first year in which the Company reasonably anticipates that a payment of such amount would not result in a limitation of a deduction with respect to the payment of such amount under Section 162(m), or the year in which the Participant's Termination Date occurs. In the case of a payment described in (ii) or (iii) above, payment will be made in the first calendar year in which the Company reasonably anticipates that the payment would not violate loan or other similar contractual terms, the violation would not result in material harm to an Employer, or the payment

would not result in a violation of securities or other applicable laws. Payments intended to pay employment taxes or payments made as a result of income inclusion of an amount in a Participant's Accounts as a result of a failure to satisfy Section 409A of the Code shall be permitted at the Company's discretion at any time and to the extent provided in Proposed Treasury Regulations under Section 409A of the Code and IRS Notice 2005-1, Q&A-15, and any applicable subsequent guidance. "Employment taxes" shall include Federal Income Contributions Act (FICA) tax imposed under Sections 3101 and 3121(v)(2) of the Code on compensation deferred under the Plan (the "FICA Amount"), the income tax imposed under Section 3401 of the Code on the FICA Amount, and to pay the additional income tax under Section 3401 of the Code attributable to the pyramiding Section 3401 wages and taxes.

SECTION 10 GENERAL PROVISIONS

10.1 Interests Not Transferable

The interests of persons entitled to benefits under the Plan are not subject to their debts or other obligations and, except as may be required by the tax withholding provisions of the Code or any state's income tax act, may not be voluntarily or involuntarily sold, transferred, alienated, assigned, or encumbered. A Participant's interest in the Plan is not transferable pursuant to a qualified domestic relations order.

10.2 Employment Rights

The Plan does not constitute a contract of employment, and participation in the Plan shall not give any Employee the right to be retained in the employ of an Employer, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. The Employers expressly reserve the right to discharge any Employee at any time.

10.3 Litigation by Participants or Other Persons

If a legal action begun against the Committee (or any member or former member thereof), an Employer, or any person or persons to whom an Employer or the Committee has delegated all or part of its duties hereunder, by or on behalf of any person results adversely to that person, or if a legal action arises because of conflicting claims to a Participant's or other person's benefits, the cost to the Committee (or any member or former member thereof), the Employers or any person or persons to whom the Employer or the Committee has delegated all or part of its duties hereunder of defending the action shall be charged to the extent permitted by law to the sums, if any, which were involved in the action or were payable to the Participant or other person concerned.

10.4 Evidence

Evidence required of anyone under the Plan may be by certificate, affidavit, document, or other information which the person acting on it considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

10.5 Waiver of Notice

Any notice required under the Plan may be waived by the person entitled to such notice.

10.6 Controlling Law

Except to the extent superseded by laws of the United States, the laws of the State of California shall be controlling in all matters relating to the Plan.

10.7 Statutory References

Any reference in the Plan to a Code section or a section of ERISA, or to a section of any other Federal law, shall include any comparable section or sections of any future legislation that amends, supplements, or supersedes that section.

10.8 Severability

In case any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal and invalid provision had never been set forth in the Plan.

10.9 Action by the Company, the Employers or the Committee

Any action required or permitted to be taken by the Company or any of the Employers under the Plan shall be by resolution of its board of directors, by resolution or other action of a duly authorized committee of its board of directors, or by action of a person or persons authorized by resolution of its board of directors or such committee. Any action required or permitted to be taken by the Committee under the Plan shall be by resolution or other action of the Committee or by a person or persons duly authorized by the Committee.

10.10 Headings and Captions

The headings and captions contained in this Plan are inserted only as a matter of convenience and for reference, and in no way define, limit, enlarge, or describe the scope or intent of the Plan, nor in any way shall affect the construction of any provision of the Plan.

10.11 Gender and Number

Where the context permits, words in the masculine gender shall include the feminine and neuter genders, the singular shall include the plural, and the plural shall include the singular.

10.12 Examination of Documents

Copies of the Plan and any amendments thereto are on file at the office of the Company where they may be examined by any Participant or other person entitled to benefits under the Plan during normal business hours.

10.13 Elections

Each election or request required or permitted to be made by a Participant (or a Participant's Spouse or Beneficiary) shall be made in accordance with the rules and procedures established by the Company and shall be effective as determined by the Company. The Company's rules and procedures may address, among other things, the method and timing of any elections or requests required or permitted to be made by a Participant (or a Participant's Spouse or Beneficiary).

10.14 Manner of Delivery

Each notice or statement provided to a Participant shall be delivered in any manner established by the Company and in accordance with applicable law, including, but not limited to, electronic delivery.

10.15 Facility of Payment

When a person entitled to benefits under the Plan is a minor, under legal disability, or, in the Company's opinion, is in any way incapacitated so as to be unable to manage his financial affairs, the Company may cause the benefits to be paid to such person's guardian or legal representative. If no guardian or legal representative has been appointed, or if the Company so determines in its sole discretion, payment may be made to any person as custodian for such individual under the California Uniform Transfers to Minors Act or other applicable state law, or to the legal representative of such person for such person's benefit, or the Company may direct the application of such benefits for the benefit of such person. Any payment made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such payment under the Plan.

10.16 Missing Persons

The Employers and the Company shall not be required to search for or locate a Participant, Spouse, or Beneficiary. Each Participant, Spouse, and Beneficiary must file with the Company, from time to time, in writing the Participant's, Spouse's, or Beneficiary's post office address and each change of post office address. Any communication, statement, or notice addressed to a Participant, Spouse, or Beneficiary at the last post office address filed with the Company, or if no address is filed with the Company, then in the case of a Participant, at the Participant's last post office address as shown on the Employer's records, shall be considered a notification for purposes of the Plan and shall be binding on the Participant and the Participant's Spouse and Beneficiary for all purposes of the Plan.

If the Company is unable to locate the Participant, Spouse, or Beneficiary to whom a Participant's Accounts are payable, the Participant's Accounts shall be frozen as of the date on which distribution would have been completed under the terms of the Plan, and no further notional investment returns shall be credited thereto.

If a Participant whose Accounts were frozen (or his Beneficiary) files a claim for distribution of the Accounts within 7 years after the date the Accounts are frozen, and if the Company determines that such claim is valid, then the frozen balance shall be paid by the Company to the Participant or Beneficiary in a lump sum cash payment as soon as practicable thereafter. If the Company notifies a Participant, Spouse, or Beneficiary of the provisions of this Subsection, and the Participant, Spouse, or Beneficiary fails to claim the Participant's, Spouse's, or Beneficiary's benefits or make such person's whereabouts known to the Company within 7 years after the date the Accounts are frozen, the benefits of the Participant, Spouse, or Beneficiary may be disposed of, to the extent permitted by applicable law, by one or more of the following methods:

- (a) By retaining such benefits in the Plan.
- (b) By paying such benefits to a court of competent jurisdiction for judicial determination of the right thereto.
- (c) By forfeiting such benefits in accordance with procedures established by the Company. If a Participant, Spouse, or Beneficiary is subsequently located, such benefits shall be restored (without adjustment) to the Participant, Spouse, or Beneficiary under the Plan.
- (d) By any equitable manner permitted by law under rules adopted by the Company.

10.17 Recovery of Benefits

In the event a Participant, Spouse, or Beneficiary receives a benefit payment from the Plan that is in excess of the benefit payment that should have been made to such Participant, Spouse, or Beneficiary, or in the event a person other than a Participant, Spouse, or Beneficiary receives an erroneous payment from the Plan, the Company shall have the right, on behalf of the Plan, to recover the amount of the excess or erroneous payment from the recipient. To the extent permitted under applicable law, the Company may, at its option, deduct the amount of such excess or erroneous payment from any future benefits payable to the applicable Participant, Spouse, or Beneficiary.

10.18 Effect on Other Benefits

Except as otherwise specifically provided under the terms of any other employee benefit plan of the Company, a Participant's participation in this Plan shall not affect the benefits provided under such other employee benefit plan.

10.19 Tax and Legal Effects

The Employers, the Committee, and their representatives and delegates do not in any way guarantee the tax treatment of benefits for any Participant, Spouse, or Beneficiary, and the Employers, the Committee, and their representatives and delegates do not in any way guarantee or assume any responsibility or liability for the legal, tax, or other implications or effects of the Plan. In the event of any legal, tax, or other change that may affect the Plan, the Company may, in its sole discretion, take any actions it deems necessary or desirable as a result of such change.

SECTION 11 PLAN ADMINISTRATION

11.1 Establishment of Committee

The Plan shall be administered by the Company. A Committee established by the Company, which as of May 8, 2006 is the US Savings Plan Investment Committee, shall be responsible for the duties described in subsection 11.2 below.

11.2 Committee General Powers, Rights, and Duties

Except as otherwise specifically provided herein, and in addition to the powers, rights and duties specifically given to the Committee elsewhere in the Plan or otherwise delegated to the Committee by the Company or the Compensation and Management Development Committee, the Committee shall have the full power and authority for the establishment of an investment policy for the Plan, and the selection, monitoring, and termination of notional investment options for the Plan, and such other powers, rights and duties as may be described from time to time in the Committee's Charter. Except as otherwise specifically provided herein, and in addition to the powers, rights and duties specifically given to the Company elsewhere in the Plan, the Company shall have the following powers, rights and duties, which shall be exercisable in the sole discretion of the Company:

- (a) To adopt such rules, procedures, and regulations as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan and to change, alter, or amend such rules, procedures, and regulations;
- (b) To construe and interpret the provisions of the Plan and make factual determinations thereunder;
- (c) To determine all questions arising in the administration of the Plan, including the power to determine the rights or eligibility of Employees or Participants or any other persons, and the amounts of their benefits (if any) under the Plan, and to remedy ambiguities, inconsistencies, or omissions, and any such determination shall be binding on all parties;
- (d) To employ and suitably compensate such agents, attorneys, accountants, actuaries, recordkeepers, or other persons (who also may be employed by the Company) to render advice and perform other services as the Company may deem necessary to carry out its powers, rights, and duties;
- (e) To the extent applicable, to direct payments or distributions in accordance with the provisions of the Plan;
- (f) To furnish the Employers with such information as may be required by them for tax or other purposes in connection with the Plan;

(g) To communicate the Plan and its requirements to Participants;

(h) To take such actions as the Company may deem necessary or advisable to correct any errors in the operation of the Plan; and

(i) To take such other actions as the Company may deem necessary for the proper administration and operation of the Plan in accordance with its terms.

11.3 Interested Committee Member

No member of the Committee who is also an Employee of an Employer shall be excluded from participating in the Plan if otherwise eligible. If a member of the Committee (or one of its delegates or designees) also is a Participant in the Plan, he may not decide or determine any matter or question concerning distributions of any kind to be made to him or her or the nature or mode of settlement of his benefits unless such decision or determination could be made by him or her under the Plan if he were not serving on the Committee.

11.4 Compensation and Expenses

Unless paid by an Employer, all reasonable costs, charges, and expenses incurred in the administration of this Plan, including expenses incurred by the Committee, compensation to an investment manager, and any compensation to agents, attorneys, actuaries, accountants, recordkeepers, and other persons performing services on behalf of this Plan or for the Committee, may be drawn from (a) Participants' Accounts, in the form of a flat fee or a percentage of the value of each Account, (b) notional earnings or gains in each Investment Fund, or (c) an account maintained under a trust related to the Plan (if any).

11.5 Information Required by Company

Each person entitled to benefits under the Plan must file with the Company from time to time in writing such person's mailing address and each change of mailing address. Any communication, statement, or notice addressed to any person at the last mailing address filed with the Company will be binding upon such person for all purposes of the Plan. Each person entitled to benefits under the Plan also shall furnish the Company with such documents, evidence, data, or information as the Company considers necessary or desirable for the purposes of administering the Plan. The Employers shall furnish the Company with such data and information as the Company may deem necessary or desirable in order to administer the Plan. The records of the Employers as to an Employee's or Participant's period of employment or membership on the Board, termination of employment or membership and the reason therefor, leave of absence, reemployment, and Compensation will be conclusive on all persons unless determined to the Company's satisfaction to be incorrect.

11.6 Uniform Application of Rules

The Company shall administer the Plan on a reasonable basis. Any rules, procedures, or regulations established by the Company shall be applied uniformly to all persons similarly situated.

11.7 Review of Benefit Determinations

Claims for benefits under the Plan shall be administered in accordance with Section 503 of ERISA, the regulations thereunder, and such reasonable claims procedures as may be established by the Company. The Plan shall provide adequate notice to any Participant, Spouse, Beneficiary, or other claimant whose claim for benefits under the Plan has been denied, setting forth the reasons for such denial, and shall afford such claimant a reasonable opportunity for a full and fair review. After exhaustion of the Plan's claim procedures, any further legal action taken against the Plan or its fiduciaries by the Participant, Spouse, or Beneficiary (or other claimant) for benefits under the Plan must be filed in a court of law no later than 120 days after the Company's final decision regarding the claim. No action at law or in equity shall be brought to recover benefits under this Plan until the appeal rights herein provided have been exercised and the Plan benefits requested in such appeal have been denied in whole or in part. All decisions and communications to Participants, Spouses, Beneficiaries, or other persons regarding a claim for benefits under the Plan shall be held strictly confidential by the Participant, Spouse, or Beneficiary (or other claimant), and the Company, the Employers, and their agents.

11.8 Company's Decision Final

Benefits under the Plan will be paid only if the Company decides in its sole discretion that a Participant or Beneficiary (or other claimant) is entitled to them. Subject to applicable law, any interpretation of the provisions of the Plan and any decisions on any matter within the discretion of the Company made by the Company or its delegate in good faith shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known and the Company shall make such adjustment on account thereof as it considers equitable and practicable.

SECTION 12 AMENDMENT AND TERMINATION

While the Company expects and intends to continue the Plan, the Company reserves the right to amend the Plan at any time and for any reason, including the right to amend this Section 12 and the Plan termination rules herein; provided, however, that each Participant will be entitled to the amount credited to his Accounts immediately prior to such amendment. The Company's power to amend the Plan includes (without limitation) the power to change the Plan provisions regarding eligibility, contributions, notional investments, vesting, and distribution forms, and timing of payments, including changes applicable to benefits accrued prior to the effective date of any such amendment; provided, however, that amendments to the Plan (other than amendments relating to Plan termination) shall not cause the Plan to provide for acceleration of distributions in violation of Section 409A of the Code and applicable regulations thereunder.

The Company reserves the right to terminate the Plan at any time and for any reason; provided, however, that each Participant will be entitled to the amount credited to his Accounts immediately prior to such termination (but such Accounts shall not be adjusted for future notional income, losses, expenses, appreciation and depreciation).

In the event that the Plan is terminated pursuant to this Section 12, the balances in affected Participants' Accounts shall be distributed at the time and in the manner set forth in Section 9. Notwithstanding the foregoing, the Company reserves the right to make all such distributions within the second twelve-month period commencing with the date of termination of the Plan; provided, however, that no such distribution will be made during the first twelve-month period following such date of Plan termination other than those that would otherwise be payable under Section 9 absent the termination of the Plan.

IN WITNESS WHEREOF, the Company has signed this Plan document, as amended and restated effective as of November 17, 2015

The GAP, Inc

By: /s/ Gregory B. Holmes
Gregory B. Holmes

Title: Vice President, Global Human Resources

APPENDIX A

**Merger of
The Gap, Inc. Executive Deferred Compensation Plan
into
Gap Inc. Deferred Compensation Plan
(prior to June 30, 2009, known as the Gap Inc. Supplemental Deferred Compensation Plan)**

A-1. Introduction. The Gap, Inc. (the “Company”) maintains The Gap, Inc. Executive Deferred Compensation Plan (the “EDCP”) for the benefit of certain of its eligible employees. As of the close of business on June 30, 2009 (the “Merger Date”), the EDCP shall be merged into and continued in the form of this Plan.

A-2. Purpose. The purpose of this Appendix A is to set forth special provisions which will apply under the Plan on and after June 30, 2009 to reflect the merger and resulting transfer of notional accounts of participants in the EDCP into the Plan on the Merger Date. The Plan is designed to comply with the American Jobs Creation Act of 2004, as amended (the “Jobs Act”), and section 409A of the Code. The Plan is intended to conform to the requirements of the Jobs Act and section 409A of the Code, and final Treasury Regulations issued thereunder, with respect to Non-Grandfathered amounts under the Plan. It is intended that the provisions of the Plan relating to the amounts merged into the Plan from the EDCP be interpreted for periods prior to January 1, 2009 according to a good faith interpretation of the Jobs Act and section 409A of the Code, and consistent with published guidance thereunder, including, without limitation, IRS Notice 2005-1 and the proposed and final Treasury Regulations under section 409A of the Code. Treatment of amounts deferred under the Plan pursuant to and in accordance with any transition rules provided under all IRS published guidance and other applicable authorities in connection with the Jobs Act or section 409A of the Code, shall be expressly authorized hereunder and shall be administered in accordance with procedures established by the Company. In the event of any inconsistency between the terms of the Plan and the Jobs Act or section 409A of the Code with respect to Non-Grandfathered amounts, the terms of the Jobs Act and section 409A of the Code shall prevail and govern. “Grandfathered Amounts” shall mean the portion of the participant’s account balance under the EDCP as of December 31, 2004, the right to which was earned and vested (within the meaning of Treasury Regulation §1.409A-6(a)(2)) as of December 31, 2004, plus the right to future contributions to the account the right to which was earned and vested (within the meaning of Treasury Regulation. §1.409A-6(a)(2)) as of December 31, 2004, to the extent such contributions are actually made, each determined by reference to the terms of the EDCP in effect as of October 3, 2004, but only to the extent such EDCP terms have not been materially modified (within the meaning of Treasury Regulation §1.409A-6(a)(4)) after October 3, 2004. Grandfathered Amounts shall include any earnings (within the meaning of Treasury Regulation. §1.409A-1(o)) attributable thereto. “Non-Grandfathered Amounts” shall mean the Participant’s Account balance under the Plan less any portion of the Participant’s Account balance under the Plan constituting Grandfathered Amounts.

A-3. Participation in the Plan. Each employee of the Company who, immediately prior to the Merger Date, was a participant with an account under the EDCP (an “Appendix A Participant”) became a Participant with an Account under the Plan effective as of the Merger Date, in accordance with the provisions of the Plan, as described in paragraph A-4 below.

A-4. Prior Accounts. Notional amounts credited to the notional accounts maintained under the EDCP for Appendix A Participants, as adjusted as of the Merger Date in accordance with the terms of the EDCP (the “Prior Accounts”), will be credited to this Plan as of the Merger Date, and shall be notionally invested in the corresponding Investment Funds under this Plan to the extent determined by the Investment Committee and, at the discretion of the Investment Committee, as directed by the Appendix A Participant. Notwithstanding the foregoing, “Grandfathered Amounts” shall be held in separate “Grandfathered Accounts” and subaccounts to the extent deemed necessary and desirable by the Company.

A-5. Termination Date. The Termination Date with respect to an Appendix A Participant applicable to an Appendix A Participant’s Grandfathered Amounts shall be the date on which the Appendix A Participant ceases to perform services with the Company and any affiliate.

A-6. Former Participants. Former participants in the EDCP who terminated employment prior to the Merger Date but have not received payment in full of their vested Prior Account balances by that date shall have their remaining Prior Account balances maintained under the Plan. Such former participants in the EDCP with Prior Account balances under the Plan (or, in case of their death, their beneficiaries) may direct the notional investment of their Accounts pursuant to the provisions of the Plan until such Accounts are paid out in full and only for this purpose shall be treated as a “Participant” or a “Beneficiary”, as the case may be, under the Plan. Until payment in full is made, the Prior Account balances shall be adjusted pursuant to the terms of the Plan.

A-7. Manner of Distribution. The elections made by participants under the EDCP with respect to the manner of distribution of their Prior Account balances, plus notional appreciation, income, and earnings and minus notional depreciation and losses thereon (“Adjusted Prior Account Balances”) shall continue to apply to Adjusted Prior Account Balances of Appendix A Participants under this Plan on and after the Merger Date. Upon the Participant’s Termination date, the unvested portion of such Account shall be permanently forfeited.

A-8. In-Service Withdrawals. With respect to Grandfathered Amounts, the Company, in its sole discretion and notwithstanding any contrary provision of the Plan, may determine that all or part of the Appendix A Participant’s vested Prior Account shall be paid to him or her immediately as an in-service withdrawal; provided, however, that an amount equal to ten percent of the total amount of the in-service withdrawal shall be withheld by the Company and permanently forfeited. Appendix A Participants shall be limited to one in-service withdrawal per Plan Year.

A-9. Timing of Distributions. Adjusted Prior Account Balances of Appendix A Participants shall be distributed pursuant to the terms of this Plan. Notwithstanding the

foregoing, with respect to Grandfathered Amounts, distributions shall be made as soon as practicable following an Appendix A Participant's Termination Date. Installment payments shall be made as soon as practicable following an Appendix A Participant's Retirement date (age 50) or death, with respect to Grandfathered Amounts. Payments made pursuant to an in-service distribution election with respect to Grandfathered Amounts shall be made on or before the last working day of April of the plan year in which such payment was elected to be made. Within the specific time periods described in this Appendix A, the Company shall have sole discretion to determine the specific timing of the payment of any Grandfathered Amounts under the Plan. The provisions of subsection 5.4 of the Plan shall apply only to Non-Grandfathered Amounts for Appendix A Participants.

A-10. Use of Terms. Terms used in this Appendix A with respect to the Plan shall, unless defined in this Appendix A, have the meanings of those terms as defined in the Plan. All of the terms and provisions of the Plan shall apply to this Appendix A.

Grant No.

**THE GAP, INC.
NON-QUALIFIED STOCK OPTION AGREEMENT**

The Gap, Inc. (the "Company") hereby grants to _____ (the "Employee"), a stock option ("Option") under The Gap, Inc. [2011/2016] Long-Term Incentive Plan (the "Plan"), to purchase shares of common stock of the Company, \$0.05 par value ("Shares"). This Option is subject to all of the terms and conditions contained in this Non-Qualified Stock Option Agreement, including the terms and conditions contained in the attached Appendix A and Appendix B (collectively, the "Agreement"). The date of this Agreement is _____. Subject to the provisions of Appendix A and Appendix B and the Plan, the principal features of this Option are as follows:

**Number of Shares Purchasable
with this Option:** _____

Price per Share: _____

Date of Grant: _____

Date(s) Stock Option is Scheduled to become Exercisable:

	Number of Shares	Latest Date
<u>Vesting Date</u>	<u>Vesting on Vesting Date</u>	<u>Option Expires</u>

As provided in the Plan and in this Agreement, this Option may terminate before the date written above, including before the Option becomes exercisable or is exercised. For example, if Employee has a Termination of Service before the date this Option becomes exercisable, this Option will terminate at the same time as such Termination of Service. See paragraphs 5 and 6 of Appendix A for further information concerning how changes in employment affect termination of this Option. PLEASE BE SURE TO READ ALL OF APPENDIX A, APPENDIX B AND THE PLAN, WHICH CONTAIN THE SPECIFIC TERMS AND CONDITIONS OF THIS OPTION.

IN WITNESS WHEREOF, the Company and the Employee have agreed to the terms of this Agreement, to be effective as of the date first above written.

THE GAP, INC.

Dated: _____

By accepting or exercising this Option, electronically or otherwise, I understand and agree that this Option is 1) subject to all of the terms and conditions of this Agreement (including the attached Appendix A and Appendix B) and of the Plan, 2) not considered salary, nor is it a promise for future grants of Options, 3) not a term or condition of my employment with the Company (or one of its Affiliates), and 4) made at the sole discretion of the Company.

APPENDIX A

TERMS AND CONDITIONS OF NON-QUALIFIED STOCK OPTION

1. Grant of Option. The Company hereby grants to Employee under the Plan, as a separate incentive in connection with his or her employment with the Company or an Affiliate and not in lieu of any salary or other compensation for his or her services, a non-qualified stock Option to purchase, on the terms and conditions set forth in this Agreement and the Plan, all or any part of the number of Shares set forth on page 1 of this Agreement. The Option granted hereby is not intended to be an Incentive Stock Option within the meaning of Section 422 of the Code.

2. Exercise Price. The purchase price per Share (the "Exercise Price") shall be equal to the price set forth on page 1 of this Agreement. The Exercise Price shall be payable in the legal tender of the United States.

3. Number of Shares. The Option is subject to adjustment in accordance with Section 4.3 of the Plan. Subject to any required action of the stockholders of the Company, if the Company shall be the surviving corporation in any merger or consolidation, the Option granted hereunder (to the extent that it is still outstanding) shall pertain to and apply to the securities to which a holder of the same number of Shares that are then subject to the Option would have been entitled. To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Compensation and Management Development Committee of the Company's Board of Directors (the "Committee"), whose determination in that respect shall be final, binding and conclusive. No fractional shares shall be issued under this Agreement. To the extent a fractional share is earned or exercised, the number of Shares shall be rounded down to the nearest whole number.

4. Commencement of Exercisability. Except as otherwise provided in this Agreement, the right to exercise the Option awarded by this Agreement shall accrue as set forth on page 1 of this Agreement, assuming that Employee is still employed with, or providing consulting services to, the Company or an Affiliate through such date(s). If Employee is not employed with, or providing consulting services to, the Company or an Affiliate on such date(s), the Option shall terminate, as set out in paragraph 6.

5. Postponement of Exercisability. Notwithstanding paragraph 4 or any other provision of this Agreement, prior to the date this Option is scheduled to become exercisable, the Committee, in its sole discretion, may determine that the right to exercise the Option awarded by this Agreement shall accrue on a date later than such date. The Committee shall exercise its power to postpone the commencement of exercisability only if the Committee, in its sole discretion, determines that Employee has taken a leave of absence (as determined from time to time by the Committee and in accordance with applicable law) since the date of this Agreement and such postponement is in compliance with applicable local laws. The duration of the period of postponement shall equal the duration of the leave of absence (or shorter period if necessary to comply with applicable local laws). If Employee does not return from the leave of absence, the Option shall terminate as set out in paragraph 6 as of the date the Employee is scheduled to return from leave of absence or mutually agreed upon last day of employment.

6. Termination of Option. In the event that Employee has a Termination of Service (as described below) for any reason other than Retirement (as defined below), Disability, or death, this Option shall immediately thereupon terminate, except that Employee shall have three (3) months from such termination to exercise any unexercised portion of the Option which is exercisable as of the date of such termination (or, if earlier, until the date that is ten (10) years from the date of this Agreement). In the event of Employee's Retirement, Employee may, within one (1) year after the date of such Retirement, or within ten (10) years from the date of this Agreement, whichever shall first occur, exercise any unexercised portion of the Option (whether or not exercisable). In the event that Employee shall die while in the employ of the Company or an Affiliate or incur a Termination of Service due to Disability, any unexercised portion of the Option (whether or not exercisable) may be exercised by Employee or Employee's beneficiary or transferee, as hereinafter provided, for a period of one (1) year after the date of Employee's death (or Termination of Service due to Disability) or within ten (10) years from the date of this Agreement, whichever shall first occur. Notwithstanding the preceding two sentences, in the event that within one year of the date of this Agreement, Employee dies or has a Termination of Service due to Retirement or Disability, this Option shall immediately thereupon terminate. For purposes of this Agreement, "Retirement" shall mean Employee's Termination of Service for any reason (other than due to Employee's misconduct as determined by the Company in its sole discretion) after Employee has attained age 60 and completed at least five (5) years of continuous service as an Employee of the Company or an Affiliate.

For purposes of this Agreement, Termination of Service shall have the meaning set forth in the Plan and be determined by reference to Employee's service without reference to any other agreement, written or oral, including Employee's contract of employment (if any). Thus, in the event of Employee's Termination of Service (whether or not in breach of local labor laws), unless otherwise expressly provided for under this

Agreement, Employee's right to vest in and exercise the Option, if any, will terminate effective at the time of Employee's Termination of Service; the Committee shall have the exclusive discretion to determine when the Employee has incurred a Termination of Service.

7. Persons Eligible to Exercise. The Option shall be exercisable during Employee's lifetime only by Employee. The Option shall be non-transferable by Employee other than by a beneficiary designation made in a form and manner acceptable to the Committee (and provided the Committee allows for beneficiary designations), or by will or the applicable laws of descent and distribution.

8. Death of Employee. To the extent exercisable after Employee's death, the Option shall be exercised only by Employee's designated beneficiary or beneficiaries, or if no beneficiary survives Employee or no beneficiary is designated, by the person or persons entitled to the Option under Employee's will or in accordance with applicable local law, or if Employee shall fail to make testamentary disposition of the Option, his or her legal representative. Any transferee exercising the Option must furnish the Company (a) written notice of his or her status as transferee, (b) evidence satisfactory to the Company to establish the validity of the transfer of the Option and compliance with any laws or regulations pertaining to said transfer, and (c) written acceptance of the terms and conditions of the Option as prescribed in this Agreement.

9. Exercise of Option. The Option may be exercised by the person then entitled to do so as to any Shares which may then be purchased (a) by giving written notice of exercise to the Company, specifying the number of full Shares to be purchased and accompanied by full payment of the purchase price thereof (and the amount of any income tax, social insurance, payroll tax, or any other required deductions or payments related to Employee's participation in the Plan and legally payable by the Employee ("Tax-Related Items")), and (b) by giving satisfactory assurances in writing if requested by the Company, signed by the person exercising the Option, that the Shares to be purchased upon such exercise are being purchased for investment and not with a view to the distribution thereof. The Company reserves the right to restrict the methods of payment of the Exercise Price if necessary to comply with local law or facilitate administration of the Plan, as determined by the Company in its sole discretion. Employee further agrees that any cross-border cash remittance made to exercise this Option or transfer proceeds received upon the sale of Shares must be made through a locally authorized financial institution or registered foreign exchange agency and may require Employee to provide to such entity certain information regarding the transaction.

10. Tax Withholding and Payment Obligations. Regardless of any action the Company or Employee's employer (the "Employer") takes with respect to any or all Tax-Related Items, Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by Employee is and remains Employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. Employee is also solely responsible for filing all relevant documentation that may be required of Employee in relation to his or her participation in the Plan or any Tax-Related Items, such as but not limited to personal income tax returns or any reporting statements in relation to the grant, holding, vesting, or exercise of the Option, the holding of Shares or any bank or brokerage account, the subsequent sale of Shares, and the receipt of dividends, if any. Employee further acknowledges that the Company and/or the Employer (a) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including the grant, holding, vesting, or exercise of the Option, the holding and subsequent sale of Shares acquired under the Plan and the receipt of dividends, if any; and (b) does not commit to and is under no obligation to structure the terms of the Option or any aspect of the Option to reduce or eliminate Employee's liability for Tax-Related Items, or achieve any particular tax result. Employee also understands that applicable law may require varying Share or Option valuation methods for purposes of calculating Tax-Related Items, and the Company assumes no responsibility or liability in relation to any such valuation or for any calculation or reporting of income or Tax-Related Items that may be required of Optionee under applicable laws. Further, if Employee has become subject to tax in more than one jurisdiction, Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

No payment will be made to Employee (or his or her estate or beneficiary) in relation to an Option unless and until satisfactory arrangements (as determined by the Company) have been made by Employee with respect to the payment of any Tax-Related Items and any other obligations of the Company and/or the Employer with respect to the Option. In this regard, Employee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from Employee's wages or other cash compensation paid to Employee by the Company or the Employer; or

(b) withholding from proceeds of the sale of Shares acquired upon exercise of the Option, either through a voluntary sale or through a mandatory sale arranged by the Company (on Employee's behalf pursuant to this authorization); or

(c) withholding in Shares to be issued upon exercise of the Option; or

(d) surrendering already-owned Shares having a Fair Market Value equal to the Tax-Related Items that have been held for such period of time to avoid adverse accounting consequences.

If the obligation for Tax-Related Items is satisfied by withholding Shares, for tax purposes, the Employee is deemed to have been issued the full number of Shares purchased, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items due as a result of the Employee's participation in the Plan. Employee shall pay to the Company or Employer any amount of Tax-Related Items that the Company may be required to withhold as a result of Employee's participation in the Plan that cannot be satisfied by one or more of the means previously described in this paragraph 10. Employee acknowledges and agrees that the Company may refuse to honor the exercise and refuse to issue or deliver the Shares or the proceeds of the sale of Shares if Employee fails to comply with his or her obligations in connection with the Tax-Related Items.

11. Nature of Grant. In accepting the Option, Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;

(b) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of Options, or benefits in lieu of Options even if Options have been granted repeatedly in the past;

(c) all decisions with respect to future awards of Options, if any, will be at the sole discretion of the Company;

(d) Employee's participation in the Plan is voluntary;

(e) the Option and the Shares subject to the Option are extraordinary items that do not constitute regular compensation for services rendered to the Company or the Employer, and that are outside the scope of Employee's employment contract, if any;

(f) the Option and the Shares subject to the Option are not intended to replace any pension rights or compensation;

(g) the Option and the Shares subject to the Option are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, or end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Employer;

(h) the future value of the underlying Shares is unknown and cannot be predicted with certainty; further, if Employee exercises the Option and obtains Shares, the value of the Shares acquired upon exercise may increase or decrease in value, even below the Exercise Price;

(i) Employee also understands that neither the Company, nor any Affiliate is responsible for any foreign exchange fluctuation between local currency and the United States Dollar (or the selection by the Company or an Affiliate in its sole discretion of an applicable foreign currency exchange rate) that may affect the value of the Option (or the calculation of income or Tax-Related Items thereunder);

(j) in consideration of the grant of the Option, no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from termination of employment by the Employer (for any reason whatsoever and whether or not in breach of local labor laws), and Employee irrevocably releases the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Employee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim; and

(k) the Option and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

12. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Employee's participation in the Plan, or Employee's acquisition or sale of the underlying Shares. Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding Employee's participation in the Plan before taking any action related to the Plan.

13. Data Privacy. *Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Employee's personal data as described in this Agreement by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing Employee's participation in the Plan.*

Employee understands that the Company and its Affiliates may hold certain personal information about Employee, including, but not limited to, Employee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company or any Affiliate, details of all Options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Employee's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Personal Data"). Employee understands that Personal Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States, Employee's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than Employee's country. Employee authorizes the recipients to receive, possess, use, retain and transfer the Personal Data, in electronic or other form, for the purposes of implementing, administering and managing Employee's participation in the Plan, including any requisite transfer of such Personal Data as may be required to a broker or other third party with whom Employee may elect to deposit any Shares received upon exercise of the Option. Employee understands that refusal or withdrawal of the consents herein may affect Employee's ability to participate in the Plan or to realize benefits from the Option. For more information on the consequences of Employee's refusal to consent or withdrawal of consent, Employee understands that he or she may contact his or her local human resources representative.

14. No Rights of Stockholder. Neither Employee nor any person claiming under or through said Employee shall be or have any of the rights or privileges of a stockholder of the Company in respect of any of the Shares issuable upon the exercise of the Option, unless and until certificates representing such Shares shall have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Employee.

15. No Right to Continued Employment. Employee understands and agrees that this Agreement does not impact in any way the right of the Employer to terminate or change the terms of the employment of Employee at any time for any reason whatsoever, with or without good cause provided in accordance with applicable local law. Employee understands and agrees that unless contrary to applicable local law or there is an employment contract in place providing otherwise, his or her employment is "at-will" and that either the Employer or Employee may terminate Employee's employment at any time and for any reason subject to applicable local law. Employee also understands and agrees that his or her "at-will" status (if applicable) can only be changed by an express written contract signed by an authorized officer of the Company and Employee if the Employee's employer is the Company.

16. Addresses for Notices. Any notice to be given to the Company under the terms of this Agreement shall be addressed to the Company, in care of its Legal Department, at The Gap, Inc., 2 Folsom, 13th Floor, San Francisco, California 94105, or at such other address as the Company may hereafter designate in writing. Any notice to be given to Employee shall be addressed to Employee at the address set forth beneath Employee's signature hereto, or at such other address as Employee may hereafter designate in writing. Any such notice shall be deemed to have been duly given if and when enclosed in a properly sealed envelope, addressed as aforesaid, registered or certified and deposited, postage and registry fee prepaid, in a United States post office or generally recognized international courier such as DHL or Federal Express.

17. Non-Transferability of Option. Except as otherwise herein provided, the Option herein granted and the rights and privileges conferred hereby shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of said Option, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment or similar process upon the rights and privileges conferred hereby, said Option and the rights and privileges conferred hereby shall immediately become null and void.

18. Maximum Term of Option. Notwithstanding any other provision of this Agreement, this Option is not exercisable after the expiration of ten (10) years from the date of this Agreement.

19. Binding Agreement. Subject to the limitation on the transferability of the Option contained herein, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

20. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan shall govern. Terms used and not defined in this Agreement shall have the meaning set forth in the Plan.

21. Committee Authority. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon Employee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

22. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

23. Modifications to this Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. Employee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company.

24. Agreement Severable. In the event that any provision in this Agreement shall be held invalid or unenforceable, such provision shall be severable from, and such invalidity or unenforceability shall not be construed to have any effect on, the remaining provisions of this Agreement.

25. Notice of Governing Law and Venue. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California without regard to principles of conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California and no other courts, where this grant is made and/or to be performed.

26. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents or notices related to current or future participation in the Plan by electronic means. By accepting or exercising this Option, electronically or otherwise, Employee hereby consents to receive such documents or notices by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the use of electronic signatures or click-through acceptance of terms and conditions.

27. Language. If Employee has received this Agreement, including Appendices, or any other document related to the Plan translated into a language other than English, and the meaning of the translated version is different than the English version, the English version will control.

28. Appendix B. Notwithstanding any provisions in this Agreement, the Option grant shall be subject to any special terms and conditions set forth in Appendix B to this Agreement for Employee's country. Moreover, if Employee relocates to one of the countries included in Appendix B, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. As stated above, Appendix B constitutes part of this Agreement.

29. Imposition of Other Requirements. The Company reserves the right, without Employee's consent, to cancel or forfeit any outstanding portion of the Option or to impose other requirements on Employee's participation in the Plan, on the Option and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Employee also understands that the laws of the country in which Employee is residing or working at the time of grant, vesting, and/or exercise of this Option (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may restrict or prevent exercise of this Option or may subject Employee to additional procedural or regulatory requirements that

Employee is and will be solely responsible for and must fulfill, and neither the Company nor any Affiliate assumes any liability in relation to this Option in such case. Such requirements may be outlined in but are not limited to those described in Appendix B.

APPENDIX B

ADDITIONAL TERMS AND CONDITIONS OF THE GAP, INC. NON-QUALIFIED STOCK OPTION AGREEMENT NON-U.S. EMPLOYEES

Terms and Conditions

This Appendix B includes special terms and conditions applicable to Employee if Employee resides in one of the countries listed below. These terms and conditions are in addition to or, if so indicated, in place of, the terms and conditions set forth in the Agreement. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Agreement.

Notifications

This Appendix B also includes country-specific information of which Employee should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of March 2016. However, such laws are often complex and change frequently. As a result, the Company strongly recommends that Employee does not rely on the information noted herein as the only source of information relating to the consequences of Employee's participation in the Plan because the information may be out of date at the time that Employee exercises the Option or sells Shares acquired under the Plan. In addition, the information is general in nature and may not apply to Employee's particular situation, and the Company is not in a position to assure Employee of any particular result. Accordingly, Employee is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation. Finally, please note that if Employee is a citizen or resident of a country other than the country in which he or she is currently working, or transfers employment after grant, the information contained in this Appendix B may not be applicable to Employee.

Securities Law Notice

Unless otherwise noted, neither the Company nor the Shares for purposes of the Plan are registered with any local stock exchange or under the control of any local securities regulator outside the U.S. The Agreement, the Plan, and any other communications or materials that Employee may receive regarding participation in the Plan do not constitute advertising or an offering of securities outside the U.S., and the issuance of securities described in any Plan-related documents is not intended for offering or public circulation outside the U.S.

EUROPEAN UNION

Data Privacy. The following language supplements Section 13 of Appendix A of the Agreement:

Employee understands that Personal Data will be held only as long as is necessary to implement, administer and manage Employee's participation in the Plan. Employee understands that he or she may, at any time, view Personal Data, request additional information about the storage, processing, or transfer of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consents herein, without cost, by contacting in writing Employee's local human resources representative.

CANADA

Form of Payment. Notwithstanding anything to the contrary in the Plan or the Agreement, the Employee is prohibited from surrendering Shares that he or she already owns or attesting to the ownership of Shares to pay the Exercise Price or any Tax-Related Items in connection with the Option.

Foreign Share Ownership Reporting. If you are a Canadian resident, your ownership of certain foreign property (including shares of foreign corporations) may be subject to strict annual tax reporting obligations. Please refer to CRA Form T1135 (Foreign Income Verification Statement) and consult your tax advisor for further details. It is your responsibility to comply with all applicable tax reporting requirements.

The following provisions will apply to Employees who are residents of Quebec:

Language Consent. The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

France

Non-Qualified Option. This Option is not intended to be French tax-qualified.

Language Consent. In accepting the grant of the Option and the Agreement, which provides for the terms and conditions of the Option, Employee confirms that he or she has read and understood the documents relating to the Option (the Plan and the Agreement), which were provided in the English language. Employee accepts the terms of these documents accordingly.

Consentement Relatif à la Langue Utilisée. *En acceptant cette attribution d'Options et ce contrat qui contient les termes et conditions de cette attribution d'Options, l'employé confirme ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan et le Contrat d'Attribution) qui lui ont été communiqués en langue anglaise. L'employé en accepte les termes en connaissance de cause.*

Exchange Control Information. French residents with foreign account balances in excess of €1 million (or equivalent) must report monthly to the Banque de France.

HONG KONG

Securities Law Notice. The Option and Shares issued upon exercise of the Option do not constitute a public offering of securities under Hong Kong law and are available only to Employees of the Company and its Affiliates. The Agreement, including this Appendix B, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The Option is intended only for the personal use of each eligible Employee of the Company or its Affiliates and may not be distributed to any other person. If Employee is in any doubt about any of the contents of the Agreement, including this Appendix B, or the Plan, Employee should obtain independent professional advice.

INDIA

Form of Payment. Notwithstanding anything to the contrary in the Plan or the Agreement, due to legal restrictions in India, Employee will not be permitted to pay the Exercise Price by using a cashless sell-to-cover method of exercise (under which method a number of Shares with a value sufficient to cover the Exercise Price, brokerage fees and any applicable Tax-Related Items would be sold upon exercise and Employee would receive only the remaining Shares subject to the exercised Option). The Company reserves the right to allow additional forms of payment depending on the development of local law.

Tax Information. The amount subject to tax at exercise may be dependent upon a valuation of Shares from a Merchant Banker in India. The Company has no responsibility or obligation to obtain the most favorable valuation possible nor obtain valuations more frequently than required under Indian tax law.

Exchange Control Obligations. Employee understands that he or she must repatriate any proceeds from the sale of Shares acquired under the Plan and any dividends received in relation to the Shares to India and convert the proceeds into local currency within ninety (90) days of receipt. Employee will receive a foreign inward remittance certificate ("FIRC") from the bank where he or she deposits the foreign currency. Employee should maintain the FIRC as evidence of the repatriation of fund in the event the Reserve Bank of India or the Employer requests proof of repatriation.

JAPAN

Securities Acquisition Report. If you acquire Shares valued at more than ¥100,000,000 total, you must file a Securities Acquisition Report with the Ministry of Finance ("MOF") through the Bank of Japan within 20 days of the acquisition of the Shares. In addition, if you pay more than ¥30,000,000 in a single transaction for the Shares at exercise of the Option, you must file a Payment Report with the MOF through the Bank of Japan by the 20th day of the month following the month in which the payment was made. The precise reporting requirements may vary depending on the bank handling the payment. A Payment Report is required independently of a Securities Acquisition Report. Consequently, if the total amount that you pay on a one-time basis at exercise of the Option exceeds ¥100,000,000, you must file both a Payment Report and a Securities Acquisition Report.

Exit Tax. Please note that you may be subject to tax on the Option, even prior to vesting or exercise, upon relocation from Japan if you (1) hold financial assets with an aggregate value of ¥100,000,000 or more upon departure from Japan and (2) maintained a principle place of residence (*jusho*) or temporary place of abode (*kyosho*) in Japan for 5 years or more during the 10-year period immediately prior to departing Japan. You should discuss your tax treatment with your personal tax advisor.

KOREA

Exchange Control Information. If Employee remits funds out of Korea to pay the Exercise Price, his or her remittance must be “confirmed” by a foreign exchange bank in Korea. This is an automatic procedure, *i.e.*, the bank does not need to “approve” the remittance, and it should take no more than a single day to process. The following supporting documents evidencing the nature of the remittance must be submitted to the bank together with the confirmation application: (i) Agreement; (ii) the Plan; (iii) a document evidencing the type of Shares to be acquired and the amount; and (iv) Employee’s certificate of employment. This confirmation is not necessary for cashless exercises since there is no remittance out of Korea.

Additionally, exchange control laws require Korean residents who realize US\$500,000 or more from the sale of Shares to repatriate the proceeds to Korea within 18 months of the sale. Separate sales may be deemed a single sale if it is found that the sole purpose was to avoid exceeding the per sale threshold.

MEXICO

Labor Law Acknowledgment. The invitation Gap, Inc. is making under the Plan is unilateral and discretionary and is not related to the salary and other contractual benefits granted to you by your employer; therefore, benefits derived from the Plan will not under any circumstance be considered as an integral part of your salary. Gap, Inc. reserves the absolute right to amend the Plan and discontinue it at any time without incurring any liability whatsoever. This invitation and, in your case, the acquisition of shares does not, in any way, establish a labor relationship between you and Gap, Inc., nor does it establish any rights between you and your employer.

La invitación que Gap, Inc. hace en relación con el Plan es unilateral, discrecional y no se relaciona con el salario y otros beneficios que recibe actualmente de su actual empleador, por lo que cualquier beneficio derivado del Plan no será considerado bajo ninguna circunstancia como parte integral de su salario. Por lo anterior, Gap, Inc. se reserva el derecho absoluto para modificar o terminar el mismo, sin incurrir en responsabilidad alguna. Esta invitación y, en su caso, la adquisición de acciones, de ninguna manera establecen relación laboral alguna entre usted y Gap, Inc. y tampoco genera derecho alguno entre usted y su empleador.

PEOPLE’S REPUBLIC OF CHINA

Mandatory Cashless Exercise. By accepting the Option, the Employee acknowledges and agrees that the Company or the Committee, in its sole discretion, has the right to require any exercise of the Option to be via a specified cashless exercise method only. Furthermore, the Company or the Committee, in its sole discretion, also has the right to determine that one of the following sales mechanisms will be pursued: (1) immediate sale of all the Shares issued upon the exercise of the Option (“Immediate Sale”); or (2) granting the Employee the right to hold Shares issued upon the exercise of the Option for a period of time and then sell the Shares on a future day at his own discretion (“Normal Sale”). In the event of a Termination of Service, the Company or the Committee shall also have the sole discretion to determine whether an Immediate Sale will occur. In any event, any Shares held shall be sold within 6 months of a Termination of Service or before the expiration of the Plan (whichever is earlier).

Shares will be transferred to a brokerage firm designated by the Company (the “Brokerage Firm”). The Brokerage Firm, on the Employee’s behalf, may, upon the Employee’s delivery of a properly executed written notice of exercise together with irrevocable instructions to the Brokerage Firm, thereafter immediately sell the Shares at the prevailing market price pursuant to any process for the sale set forth by the Company, and deliver the proceeds, less the Exercise Price, Tax-Related Items and any broker fees, to the Company or its designee, which would then remit the net proceeds to the Employee through the Company’s or Affiliate’s special-purpose foreign exchange bank account in China. As a result of an Immediate Sale as set forth in this Appendix B, no Shares would be delivered to the Employee, and the Employee would not have any resulting rights as a shareholder of the Company. If an Employee is permitted to hold Shares under the Normal Sale scenario, Employee agrees that Shares may not be moved to any account or brokerage firm not designated by the Company and may not be moved out of any permitted account other than upon the sale of such Shares.

Mandatory Repatriation and Special Administration in China. The Employee’s ability to exercise the Option shall be contingent upon the Company or its Affiliate obtaining approval from the State Administration of Foreign Exchange (“SAFE”) for Employee’s participation in the Plan (to the extent required as determined by

the Company in its sole discretion) and the establishment of a SAFE-approved special-purpose foreign exchange bank account for equity sale proceeds. Employee understands and agrees that he or she will be required to immediately repatriate the proceeds from any sale of Shares to China. Employee further understands that such repatriation of proceeds must be effected through the special account established by the Company or Affiliate, and Employee hereby consents and agrees that the proceeds from the sale of Shares will be transferred to such account prior to being delivered to Employee. Furthermore, Employee understands that due to SAFE approval requirements, there may be delays in delivering the proceeds to Employee; Employee will bear any exchange rate risk relating to any delay; Employee may be required to open a U.S. dollar bank account to receive the proceeds; and Employee may also be required to pay directly to the Company or an Affiliate any Tax-Related Items due on the exercise prior to receiving any proceeds from the sale of Shares. Furthermore, the Company may shorten the post-termination exercise periods if required by SAFE.

The Company also has the sole discretion to determine the mechanism to sell the Shares issued to Employee upon exercise of the Option. The provisions above pursuant to which Employee agrees to sell all Shares issued to him or her upon Termination of Service or immediately when the Shares are issued to him or her upon exercise at the then current market price is intended to be a plan pursuant to Rule 10b5-1 of the U.S. Securities Exchange Act of 1934 to the extent Employee is subject to this Act. By signing the Agreement, Employee represents that he or she is not aware of any material non-public information about the Company at the time he or she is signing the Agreement.

Please note that the Company in its sole discretion may choose not to apply the above procedures to non-PRC citizens.

SINGAPORE

Securities Law Notice. The grant of the Option is made in reliance on section 273(1)(f) of the Securities and Futures Act (Cap. 289) ("SFA") for which it is exempt from the prospectus and registration requirements under the SFA. By accepting the Option, Employee agrees not to sell any Shares within six months of the date of grant.

Director Notification Obligation. If Employee is a director, associate director or shadow director (i.e., a non-director who has sufficient control so that the directors act in accordance with the directions and instructions of this individual) of the Company's local entity in Singapore, he or she is subject to notification requirements under the Singapore Companies Act. Some of these notification requirements will be triggered by Employee's participation in the Plan. Specifically, Employee is required to notify the local Singapore company when he or she acquires or disposes an interest in the Company, including when Employee is granted the Option, receives Shares upon exercise and when Employee sells these Shares. The notification must be in writing and must be made within two days of acquiring or disposing of any interest in the Company (or within two days of initially becoming a director, associate director or shadow director of the Company's local entity in Singapore). If Employee is unclear as to whether he or she is a director, associate director or shadow director of the Company's local entity in Singapore or the form of the notification, he or she should consult with his or her personal legal advisor.

Exit Tax / Deemed Exercise Rule. Employee understands and agrees that if Employee has received Options in relation to his or her employment in Singapore, then if, prior to the exercise of the Option, Employee is 1) a permanent resident of Singapore and leaves Singapore permanently or is transferred out of Singapore; or 2) neither a Singapore citizen nor permanent resident and either ceases employment in Singapore or leaves Singapore for any period exceeding 3 months, Employee will likely be taxed on the Option on a "deemed exercise" basis, even though the Option has not yet been exercised. Employee should refer to the separate Stock Award and Option Guide and discuss his or her tax treatment with his or her personal tax advisor.

UNITED KINGDOM

Tax and National Insurance Contributions Acknowledgment. The following provision supplements paragraph 10 of the Agreement:

Employee agrees that if Employee does not pay or the Employer or the Company does not withhold from Employee the full amount of Tax-Related Items that Employee owes in connection with the exercise of the Option and/or the acquisition of Shares pursuant to the exercise of the Option, or the release or assignment of the Option for consideration, or the receipt of any other benefit in connection with the Option (the "*Taxable Event*") within ninety (90) days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount that should have been withheld shall constitute a loan owed by Employee to the Employer, effective ninety (90) days after the Taxable Event. Employee agrees that the loan will bear interest at the official rate of HM Revenue and Customs ("HMRC") and will be immediately due and repayable by Employee, and the Company and/or the Employer may recover it at

any time thereafter by withholding the funds from salary, bonus or any other funds due to Employee by the Employer, by withholding in Shares issued at exercise of the Option or from the cash proceeds from the sale of such Shares or by demanding cash or a cheque from Employee. Employee also authorizes the Company to withhold the transfer of any Shares unless and until the loan is repaid in full.

Notwithstanding the foregoing, if Employee is an officer or executive director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that Employee is an officer or executive director and Tax-Related Items are not collected from or paid by Employee within ninety (90) days of the Taxable Event, the amount of any uncollected Tax-Related Items may constitute a benefit to Employee on which additional income tax and National Insurance contributions may be payable. Employee will be responsible for reporting any income tax and National Insurance contributions due on this additional benefit directly to HMRC under the self-assessment regime.

VIETNAM

Form of Payment. Notwithstanding anything to the contrary in the Plan or the Agreement, due to local legal requirements, Employee will be required to pay the Exercise Price through "cashless" exercise methods only.

Exchange Control Obligations. Any proceeds received upon exercise and sale of Shares and any dividends must be repatriated to Vietnam within 6 months from the date of issuance of the tax finalization report or equivalent document in relation to such proceeds.

* * *

Award No. _____

**THE GAP, INC.
PERFORMANCE SHARE AGREEMENT**

The Gap, Inc. (the "Company") hereby grants to _____ (the "Employee"), an award (the "Award") of Performance Shares, which represent the right to receive shares of the Company's common stock, \$0.05 par value (the "Shares") subject to the fulfillment of performance and vesting conditions and the other conditions set forth in the attached Appendix A and Appendix B. This Award is granted pursuant to The Gap, Inc. [2011/2016] Long-Term Incentive Plan (the "Plan") and is subject to all of the terms and conditions contained in this Performance Share Agreement, the resolutions of the Compensation and Management Development Committee of the Board of Directors of the Company (the "Committee"), dated [DATE] (the "Committee Resolutions"), and Appendix A and Appendix B hereto (collectively, the "Agreement"). The date of this Agreement is _____ ("Date of Grant"). Subject to the provisions of Appendix A, Appendix B and of the Plan, the principal features of this Award are as follows:

Number of Performance Shares at Threshold Performance: _____

Number of Performance Shares at Target Performance: _____

Maximum Number of Performance Shares: _____

Performance Goals: The actual number of Shares to be earned under this Award will be determined based on (1) attainment of annual, or other period, division or corporate earnings goals over 3 years, (2) achievement of Company cumulative earnings goals for the same 3 years, and (3) the Committee's exercise of discretion described below in this paragraph, if any. Such earnings goals and the extent to which they have been achieved will be determined by the Committee, in its sole discretion, and the resulting number of Shares under this Award may be further reduced at the Committee's discretion.

Date(s) Performance Shares Scheduled to Vest: To the extent that the Performance Goals described above are achieved and Shares are earned, as determined and certified by the Committee, then (1) 50% of the earned Shares shall be paid on the date in [YEAR] that the Committee certifies attainment (the "Certification Date"), and (2) the remaining 50% of the earned Shares shall vest on the one year anniversary of the Certification Date. Notwithstanding the foregoing, if the Employee is demoted to a lower Company salary grade before the end of fiscal year _____, Employee shall forfeit his or her Award.

As provided in the Plan and in this Agreement, this Award may terminate before the scheduled vest date(s) of the Performance Shares. For example, if Employee's Termination of Service occurs before the date this Award vests, this Award will terminate at the same time as such Termination of Service. Important additional information on vesting and forfeiture of the Performance Shares covered by this Award including those due to changes in employment is contained in paragraphs 3 through 6 of Appendix A.

IN WITNESS WHEREOF, the Company and the Employee have executed this Agreement, in duplicate, to be effective as of the date first above written.

THE GAP, INC.

Dated: _____

My signature below (or other acceptance of this Award, electronic or otherwise) indicates that I understand and agree that this Award is 1) subject to all of the terms and conditions of this Agreement (including the Committee Resolutions and the attached Appendix A and Appendix B) and of the Plan, 2) not considered salary, nor is it a promise for future grants of Performance Shares, 3) not a term or condition of my employment with the Company (or one of its Affiliates), and 4) made at the sole discretion of the Company.

EMPLOYEE

Dated: _____ Signature: _____

Address: _____

APPENDIX A
TERMS AND CONDITIONS OF PERFORMANCE SHARES

1. Grant of Performance Shares. The Company hereby grants to the Employee as a separate incentive that is not in lieu of any salary or other compensation for his or her services to the Company or an Affiliate, an Award with respect to the number of Performance Shares set forth on page 1 of this Agreement, subject to all the terms and conditions in this Agreement and the Plan. Employee understands and agrees that this Award does not guarantee any future Performance Share grants and that grants are made at the sole discretion of the Company.

2. Company's Obligation to Pay. Unless and until a Performance Share has vested in accordance with the terms hereof, the Employee will have no right to payment of a Share with respect to the Performance Share. Prior to actual payment of any Shares pursuant to vested Performance Shares, each Performance Share represents an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. No Shares shall be issued until after the Performance Shares have vested in accordance with the terms hereof and shall be issued in accordance with the settlement terms hereof. Notwithstanding Section 9.6 of the Plan, the Performance Shares will only be settled, if at all, in Shares, provided that to the extent a fractional share is earned, the number of Shares paid shall be rounded down to the nearest whole number and no fractional Share shall be issued.

3. Vesting of Performance Shares and Issuance of Shares.

(a) Subject to paragraphs 4, 5 and 6, the Performance Shares subject to this Agreement will vest (as to the number of Performance Shares determined by the Committee based on the extent to which the Performance Goals have been achieved) on the dates shown on the first page of this Agreement (each a "Vesting Date"), but in each case, only if the Employee has been continuously employed by, or providing consulting services to, the Company or one of its Affiliates from the date of this Award until the applicable Vesting Date of the Performance Shares. If Employee has had a Termination of Service (as described below) prior to such date(s), the Award shall terminate as set forth in paragraph 6.

(b) Subject to earlier issuance pursuant to paragraph 4 or 5, upon each Vesting Date, one Share shall be issued for each Performance Share that vests on such Vesting Date, subject to the terms and provisions of the Plan and this Agreement.

(c) If the Committee, in its discretion, accelerates the vesting of the balance, or some lesser portion of the balance, of the Performance Shares (or acceleration occurs pursuant to Section 12.2 of the Plan), the payment of such accelerated Performance Shares nevertheless shall be made at the same time or times as if such Performance Shares had vested in accordance with the vesting schedule set forth on the first page of this Agreement (whether or not the Employee remains employed by the Company or by one of its Affiliates as of such date(s)).

(d) Notwithstanding the foregoing, if the Committee, in its discretion, accelerates the vesting of the balance, or some lesser portion of the balance, of the Performance Shares in connection with Employee's "separation from service" within the meaning of Section 409A and if (i) Employee is subject to U.S. income tax, and (ii) Employee is a "specified employee" within the meaning of Section 409A at the time of such separation from service, then any such accelerated Performance Shares otherwise payable within the six (6) month period following Employee's separation from service instead will be paid on the date that is six (6) months and one (1) day following the date of Employee's separation from service, unless the Employee dies following his or her separation from service prior to such time, in which case, the Performance Shares will be paid to the Employee's estate (or beneficiary) upon his or her death, subject to paragraph 7. Thereafter, such Performance Shares shall continue to be paid in accordance with the requirements of paragraph 3(c). For purposes of this Agreement, "Section 409A" means Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and any final Treasury Regulations and other Internal Revenue Service guidance thereunder, as each may be amended from time to time ("Section 409A"). This paragraph 3(d) shall only apply to the extent necessary to avoid taxation under Section 409A.

(e) It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Performance Shares granted under this Agreement or the Shares issued in payment thereof will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply.

(f) No fractional Shares shall be issued under this Agreement. To the extent a fractional share is earned, the number of Shares paid shall be rounded down to the nearest whole number and no fractional Share shall be issued.

4. Death. In the event of the Employee's death after the end of the applicable performance period, the remaining Performance Shares shall automatically and with no exercise of discretion by the Committee become fully vested, and shall be settled, as soon as practicable in the calendar year of the Employee's death to the extent that the Performance Goals have been achieved and certified by the Committee on the Certification Date.

5. Retirement.

(a) Except as would result in taxation under Section 409A, a portion of the remaining Performance Shares automatically and with no exercise of discretion by the Committee shall become fully vested, and shall be settled, and applicable taxes shall be withheld by the Company or its designated Affiliate in accordance with paragraph 7 at the following time: (i) if the Performance Goals have been achieved before the Employee becomes eligible for Retirement (as defined below), on the later of the date the Employee becomes eligible for Retirement or November 15th of the year in which Employee becomes eligible for Retirement; or (ii) if Employee becomes eligible for Retirement before the Performance Goals are achieved, on the later of the date the Performance Goals are achieved or November 15th of the year in which the Performance Goals are achieved. The portion of the remaining Performance Shares that vests and is settled in accordance with the preceding sentence shall have an aggregate market value sufficient to pay any taxes required to be withheld by the Company (or an Affiliate) solely as a result of (a) the Employee's becoming eligible to receive shares of common stock upon Retirement pursuant to paragraph 5(b), and (b) the vesting and settlement of such portion of the remaining Performance Shares.

(b) In the event of Employee's Retirement (as defined below) after the end of the applicable performance period, the remaining Performance Shares automatically and with no exercise of discretion by the Committee shall become fully vested, and shall be settled, as soon as practicable in the calendar year of the Employee's Retirement, to the extent that the Performance Goals have been achieved and certified by the Committee on the Certification Date. If (i) Employee is subject to U.S. income tax, and (ii) Employee is a "specified employee" within the meaning of Section 409A at the time of Employee's Retirement then the payment of such accelerated Performance Shares will not be made until the date six (6) months and one (1) day following the date of Employee's Retirement, unless the Employee dies following such Retirement prior to such time, in which case, the Performance Shares will be paid to the Employee's estate upon his or her death, subject to paragraph 7.

For purposes of this Agreement, "Retirement" shall mean Employee's Termination of Service (or for U.S. taxpayers "separation from service" within the meaning of Section 409A) for any reason (other than due to Employee's misconduct as determined by the Company in its sole discretion) after Employee has attained age 60 and completed at least five (5) years of continuous service as an Employee of the Company or an Affiliate.

6. Termination of Service. Notwithstanding any contrary provision of this Agreement and except as set forth in paragraphs 3, 4 or 5, the balance of Performance Shares that have not vested will be forfeited and cancelled automatically at the time of the Employee's Termination of Service. For purposes of this Agreement, Termination of Service shall have the meaning set forth in the Plan and be determined by reference to Employee's service without reference to any other agreement, written or oral, including Employee's contract of employment (if any). Thus, in the event of Employee's Termination of Service (whether or not in breach of local labor laws), unless otherwise expressly provided for under this Agreement, Employee's right to vest in the Performance Shares under the Plan, if any, will terminate effective at the time of Employee's Termination of Service; the Committee shall have the exclusive discretion to determine when the Employee has incurred a Termination of Service.

7. Withholding Taxes. Regardless of any action the Company or Employee's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, or any other required deductions or payments related to the Employee's participation in the Plan and legally applicable to the Employee ("Tax-Related Items"), the Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by the Employee is and remains the Employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. Employee is also solely responsible for filing all relevant documentation that may be required of Employee in relation to his or her participation in the Plan or any Tax-Related Items, such as but not limited to personal income tax returns or any reporting statements in relation to the grant, holding, vesting of the Performance Shares, the holding of Shares or any bank or brokerage account, the subsequent sale of Shares, and the receipt of dividends, if any. Employee further acknowledges that the Company and/or the Employer (a) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Shares, including the grant, holding, or vesting of the Performance Shares, the holding or subsequent sale of Shares acquired under the Plan and the receipt of dividends, if any; and (b) does not commit to and is under no obligation to structure the terms of the Performance Shares or any aspect of the Performance Shares to reduce or eliminate the Employee's liability for Tax-Related Items, or achieve any particular tax result. Employee also understands that applicable laws may require varying Share or Performance Share valuation methods for purposes of calculating Tax-Related Items, and the Company assumes no responsibility or liability in relation to any such valuation or for any calculation or reporting of income or Tax-Related Items that may be required of Employee under applicable laws. Further, if Employee has become subject to tax in more than one jurisdiction, Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

No payment will be made to the Employee (or his or her estate) in relation to the Performance Shares unless and until satisfactory arrangements (as determined by the Committee) have been made by the Employee with

respect to the payment of any Tax-Related Items and any other obligations of the Company and/or the Employer with respect to the Performance Shares. In this regard, the Employee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from Employee's wages or other cash compensation paid to Employee by the Company or the Employer; or
- (b) withholding from proceeds of the sale of Shares acquired upon vesting of the Performance Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on Employee's behalf pursuant to this authorization); or
- (c) withholding in Shares to be issued upon settlement of the Performance Shares; or
- (d) surrendering already-owned Shares having a Fair Market Value equal to the Tax-Related Items that have been held for such period of time to avoid adverse accounting consequences.

If the obligation for Tax-Related Items is satisfied by withholding Shares, for tax purposes, the Employee is deemed to have been issued the full number of Shares subject to the Performance Shares, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items due as a result of the Employee's participation in the Plan. The Employee shall pay to the Company or Employer any amount of Tax-Related Items that the Company may be required to withhold or account for as a result of the Employee's participation in the Plan that cannot be satisfied by one or more of the means previously described in this paragraph 7. The Employee acknowledges and agrees that the Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if Employee fails to comply with his or her obligations in connection with the Tax-Related Items. In addition, Employee further agrees that any cross-border cash remittance made to transfer proceeds received upon the sale of Shares must be made through a locally authorized financial institution or registered foreign exchange agency and may require Employee to provide to such entity certain information regarding the transaction.

It is the Company's current practice to withhold a portion of the Shares scheduled to be issued pursuant to vested Performance Shares that have an aggregate market value sufficient to pay the Tax-Related Items. The Company will only withhold whole Shares and therefore the Employee also authorizes deduction without notice from salary or other amounts payable to the Employee of cash in an amount sufficient to satisfy the Employer's remaining tax withholding obligation. Notwithstanding the previous two sentences, the Employee, if the Company in its sole discretion so agrees, may elect to furnish to the Company written notice, no more than 30 days and no less than 5 days in advance of a scheduled Vesting Date (or other required withholding event), of his or her intent to satisfy the tax withholding requirement by remitting the full amount of the tax withholding to the Company on the scheduled Vesting Date (or other required withholding event). In the event that Employee provides such written notice and fails to satisfy the amounts required for the Tax-Related Items by the Vesting Date (or other required withholding event), the Company shall satisfy the tax withholding requirement pursuant to the first two sentences of this paragraph. However, the Company reserves the right to withhold for Tax-Related Items pursuant to any means set forth in this paragraph.

8. Vesting/Foreign Taxes Due. If Employee is subject to tax in a country outside the U.S. ("Foreign Country") and if pursuant to the tax rules in such Foreign Country, Employee will be subject to tax prior to the date that Employee is issued Shares pursuant to this Agreement, the Committee, in its discretion, may accelerate settlement of a portion of the Performance Shares (but only to the extent already earned and vested, including satisfaction of the Performance Goals, in the case of awards intended to comply with the performance-based compensation exception under Section 162(m) of the Code) to the extent necessary to pay the foreign taxes due (and any applicable U.S. income taxes due as a result of the acceleration of settlement) but only if such acceleration does not result in adverse consequences under Section 409A (as permitted under Treasury Regulation Section 1.409A-3(j)(4)(xi)) or loss of the performance-based compensation exception under Section 162(m) of the Code or otherwise cause any portion of the award to become subject to the deduction limits of Section 162(m).

9. Beneficiary Designation. Any distribution or delivery to be made to the Employee under this Agreement will, if the Employee is then deceased, be made to the Employee's designated beneficiary to the extent such designation is valid under applicable law, or if no such beneficiary survives the Employee or no beneficiary is designated, the person or persons entitled to such distribution or delivery under the Employee's will or, to the executor of his or her estate. In order to be effective, a beneficiary designation must be made by the Employee in a form and manner acceptable to the Company and permitted by the Company. Any transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

10. Conditions to Issuance of Shares. The Shares deliverable to the Employee on the applicable settlement date may be either previously authorized but unissued Shares or issued Shares that have been reacquired by the Company. The Company shall not be required to issue any Shares hereunder so long as the Company reasonably anticipates that such issuance will violate Federal securities law, foreign securities law or other applicable law; provided however, that in such event the Company shall issue such Shares at the earliest possible date at which the Company reasonably anticipates that the issuance of the shares will not cause such violation. For purposes of the previous sentence, any issuance of Shares that would cause inclusion in gross income or the application of any penalty provision or other provision of the Internal Revenue Code or foreign tax law shall not be treated as a violation of applicable law.

11. Rights as Stockholder. Neither the Employee nor any person claiming under or through the Employee will have any of the rights or privileges of a stockholder of the Company in respect of any Performance Share unless and until Shares have been issued in accordance with paragraph 3, 4 or 5, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Employee. Except as provided in paragraph 12, after such issuance, recordation, and delivery, the Employee will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

12. Adjustments. The Award is subject to adjustment in accordance with Section 4.3 of the Plan.

13. Nature of Grant. In accepting the grant of Performance Shares, the Employee acknowledges that:

(a) the grant of the Performance Shares is voluntary and occasional and does not create any contractual or other right to receive future grants of Performance Shares, or benefits in lieu of Performance Shares, even if Performance Shares have been granted repeatedly in the past;

(b) all decisions with respect to future Performance Share grants, if any, will be at the sole discretion of the Company;

(c) the Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate his or her employment relationship at any time;

(d) the Employee is voluntarily participating in the Plan;

(e) the Performance Shares are an extraordinary item that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of the Employee's employment contract, if any;

(f) the Performance Shares and the Shares subject to the Performance Shares are not intended to replace any pension rights or compensation;

(g) the Performance Shares are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Employer;

(h) the Performance Shares grant and the Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Company or any Affiliate;

(i) the future value of the Shares is unknown and cannot be predicted with certainty; further, neither the Company, nor any Affiliate is responsible for any foreign exchange fluctuation between local currency and the United States Dollar (or the selection by the Company or an Affiliate in its sole discretion of an applicable foreign currency exchange rate) that may affect the value of the Performance Shares (or the calculation of income or Tax-Related Items thereunder);

(j) in consideration of the grant of the Performance Shares, no claim or entitlement to compensation or damages shall arise from forfeiture of the Performance Shares resulting from Employee's Termination of Service (for any reason whatsoever and whether or not in breach of local labor laws) and the Employee irrevocably releases the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, the Employee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim; and

(k) the Performance Shares and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

14. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan, or his or her acquisition or sale of the underlying Shares. The Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding the Employee's participation in the Plan before taking any action related to the Plan.

15. **Data Privacy.** *The Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Employee's personal data as described in this Agreement by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing the Employee's participation in the Plan.*

The Employee understands that the Company and its Affiliates may hold certain personal information about the Employee, including, but not limited to, the Employee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company or any Affiliate, details of all Performance Shares or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Personal Data"). The Employee understands that Personal Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States, the Employee's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Employee's country. The Employee authorizes the recipients to receive, possess, use, retain and transfer the Personal Data, in electronic or other form, for the purposes of implementing, administering and managing the Employee's participation in the Plan, including any requisite transfer of such Personal Data as may be required to a broker or other third party with whom the Employee may elect to deposit any Shares received upon vesting of the Performance Shares. The Employee understands that refusal or withdrawal of the consents herein may affect the Employee's ability to participate in the Plan or to realize benefits from the Performance Shares. For more information on the consequences of the Employee's refusal to consent or withdrawal of consent, the Employee understands that he or she may contact his or her local human resources representative.

16. **Plan Governs.** This Agreement is subject to all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Terms used in this Agreement that are not defined in this Agreement will have the meaning set forth in the Plan.

17. **Committee Authority.** The Committee will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any portion of the Performance Share has vested). All actions taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon the Employee, the Company and all other interested persons. No member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

18. **No Right to Continued Employment.** Employee understands and agrees that this Agreement does not impact in any way the right of the Employer to terminate or change the terms of the employment of Employee at any time for any reason whatsoever, with or without good cause provided in accordance with applicable local law. Employee understands and agrees that unless contrary to applicable local law or there is an employment contract in place providing otherwise, his or her employment is "at-will" and that either the Employer or Employee may terminate Employee's employment at any time and for any reason subject to applicable local law. Employee also understands and agrees that his or her "at-will" status (if applicable) can only be changed by an express written contract signed by an authorized officer of the Company and Employee if the Employee's employer is the Company.

19. **Non-Transferability of Award.** Except as otherwise herein provided, the Performance Shares herein granted and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of such Performance Share, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment or similar process upon the rights and privileges conferred hereby, such Performance Share and the rights and privileges conferred hereby will immediately become null and void.

20. Binding Agreement. Subject to the limitation on the transferability of the Performance Share contained herein, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the Employee and the Company.

21. Addresses for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of its Legal Department, at The Gap, Inc., Two Folsom, San Francisco, California 94105, or at such other address as the Company may hereafter designate in writing. Any notice to be given to the Employee will be addressed to the Employee at the address set forth on the records of the Company. Any such notice will be deemed to have been duly given if and when enclosed in a properly sealed envelope, addressed as aforesaid, and deposited, postage prepaid, in a United States post office or generally recognized international courier such as DHL or Federal Express.

22. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

23. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

24. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. The Employee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written agreement executed by a duly authorized officer of the Company.

25. Amendment, Suspension or Termination of the Plan. By accepting this Award, the Employee expressly warrants that he or she has received a right to an equity based award under the Plan, and has received, read, and understood a description of the Plan. The Employee understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.

26. Notice of Governing Law and Venue. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California without regard to principles of conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California and no other courts, where this grant is made and/or to be performed.

27. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents or notices related to current or future participation in the Plan by electronic means. By accepting the Performance Shares, electronically or otherwise, the Employee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, the use of electronic signatures or click-through acceptance of terms and conditions.

28. Language. If the Employee has received this Agreement, including Appendices, or any other document related to the Plan translated into a language other than English, and the meaning of the translated version is different than the English version, the English version will control.

29. Appendix B. Notwithstanding any provisions in this Agreement, the Performance Shares shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for Employee's country. Moreover, if the Employee relocates to one of the countries included in Appendix B, the special terms and conditions for such country will apply to the Employee, to the extent Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. As stated above, Appendix B constitutes part of this Agreement.

30. Imposition of Other Requirements. The Company reserves the right, without Employee's consent, to cancel or forfeit any outstanding portion of the Stock Awards or to impose other requirements on Employee's participation in the Plan, on the Performance Shares and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Employee also understands that the laws of the country in which Employee is residing or working at the time of grant or vesting of the Performance Shares (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may restrict or prevent the issuance of Shares or may

subject Employee to additional procedural or regulatory requirements that Employee is and will be solely responsible for and must fulfill, and neither the Company nor any Affiliate assumes any liability in relation to this Award in such case. Such requirements may be outlined in but are not limited to those described in Appendix B.

* * *

APPENDIX B

ADDITIONAL TERMS AND CONDITIONS OF THE GAP, INC. PERFORMANCE SHARE AGREEMENT NON-U.S. EMPLOYEES

Terms and Conditions

This Appendix B includes special terms and conditions applicable to Employee if Employee resides in one of the countries listed below. These terms and conditions are in addition to or, if so indicated, in place of, the terms and conditions set forth in the Agreement. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Agreement.

Notifications

This Appendix B also includes country-specific information of which Employee should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of March 2016. However, such laws are often complex and change frequently. As a result, the Company strongly recommends that Employee does not rely on the information noted herein as the only source of information relating to the consequences of Employee's participation in the Plan because the information may be out of date at the time that Employee vests in Performance Shares or sells Shares acquired under the Plan.

In addition, the information is general in nature and may not apply to Employee's particular situation, and the Company is not in a position to assure Employee of any particular result. Accordingly, Employee is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation. Finally, please note that if Employee is a citizen or resident of a country other than the country in which he or she is currently working, or transfers employment after grant, the information contained in this Appendix B may not be applicable to Employee.

Securities Law Notice

Unless otherwise noted, neither the Company nor the Shares for purposes of the Plan are registered with any local stock exchange or under the control of any local securities regulator outside the U.S. The Agreement, the Plan, and any other communications or materials that Employee may receive regarding participation in the Plan do not constitute advertising or an offering of securities outside the U.S., and the issuance of securities described in any Plan-related documents is not intended for offering or public circulation outside the U.S.

EUROPEAN UNION

Data Privacy. The following language supplements Section 15 of Appendix A of the Agreement:
The Employee understands that Personal Data will be held only as long as is necessary to implement, administer and manage the Employee's participation in the Plan. The Employee understands that he or she may, at any time, view Personal Data, request additional information about the storage, processing, or transfer of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consents herein, without cost, by contacting in writing the Employee's local human resources representative.

CANADA

Settlement of Performance Shares. Notwithstanding any discretion or anything to the contrary in the Plan, the grant of the Performance Shares does not provide any right for Employee to receive a cash payment and the Performance Shares will be settled in Shares only.

Foreign Share Ownership Reporting. If you are a Canadian resident, your ownership of certain foreign property (including shares of foreign corporations) may be subject to strict annual tax reporting obligations. Please refer to CRA Form T1135 (Foreign Income Verification Statement) and consult your tax advisor for further details. It is your responsibility to comply with all applicable tax reporting requirements.

The following provisions will apply to Employees who are residents of Quebec:

Language Consent. The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

France

Taxation of Award. This Award is not intended to be French tax-qualified.

Language Consent. In accepting the grant of the Performance Shares and the Agreement which provides for the terms and conditions of the Performance Shares, Employee confirms that he or she has read and understood the documents relating to the Performance Shares (the Plan and the Agreement), which were provided in the English language. Employee accepts the terms of these documents accordingly.

Consentement Relatif à la Langue Utilisée. *En acceptant cette attribution gratuite d'actions et ce contrat qui contient les termes et conditions de cette attribution gratuite d'actions, l'employé confirme ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan et le Contrat d'Attribution) qui lui ont été communiqués en langue anglaise. , L'employé en accepte les termes en connaissance de cause.*

Exchange Control Information. French residents with foreign account balances in excess of €1 million (or equivalent) must report monthly to the Banque de France.

HONG KONG

Securities Law Notice. The Performance Shares and Shares issued upon vesting (if any) do not constitute a public offering of securities under Hong Kong law and are available only to Employees of the Company and its Affiliates. The Agreement, including this Appendix B, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The Award is intended only for the personal use of each eligible Employee of the Company or its Affiliates and may not be distributed to any other person. If Employee is in any doubt about any of the contents of the Agreement, including this Appendix B, or the Plan, Employee should obtain independent professional advice.

INDIA

Tax Information. The amount subject to tax at vesting may be dependent upon a valuation of Shares from a Merchant Banker in India. The Company has no responsibility or obligation to obtain the most favorable valuation possible nor obtain valuations more frequently than required under Indian tax law.

Exchange Control Obligations. Employee understands that he or she must repatriate any proceeds from the sale of Shares acquired under the Plan and any dividends received in relation to the Shares to India and convert the proceeds into local currency within ninety (90) days of receipt. Employee will receive a foreign inward remittance certificate ("FIRC") from the bank where he or she deposits the foreign currency. Employee should maintain the FIRC as evidence of the repatriation of fund in the event the Reserve Bank of India or the Employer requests proof of repatriation.

JAPAN

Securities Acquisition Report. If you acquire Shares valued at more than ¥100,000,000 total, you must file a Securities Acquisition Report with the Ministry of Finance ("MOF") through the Bank of Japan within 20 days of the acquisition of the Shares.

Exit Tax. Please note that you may be subject to tax on the Award, even prior to vesting, upon relocation from Japan if you (1) hold financial assets with an aggregate value of ¥100,000,000 or more upon departure from Japan and (2) maintained a principle place of residence (*jusho*) or temporary place of abode (*kyosho*) in Japan for 5 years or more during the 10-year period immediately prior to departing Japan. You should discuss your tax treatment with your personal tax advisor.

KOREA

Exchange Control Information. Exchange control laws require Korean residents who realize US\$500,000 or more from the sale of Shares to repatriate the proceeds to Korea within 18 months of the sale. Separate sales may be deemed a single sale if it is found that the sole purpose was to avoid exceeding the per sale threshold.

MEXICO

Labor Law Acknowledgment. The invitation Gap, Inc. is making under the Plan is unilateral and discretionary and is not related to the salary and other contractual benefits granted to you by your employer; therefore, benefits derived from the Plan will not under any circumstance be considered as an integral part of your salary. Gap, Inc. reserves the absolute right to amend the Plan and discontinue it at any time without incurring any liability whatsoever. This invitation and, in your case, the acquisition of shares does not, in any way, establish a labor relationship between you and Gap, Inc., nor does it establish any rights between you and your employer.

La invitación que Gap, Inc. hace en relación con el Plan es unilateral, discrecional y no se relaciona con el salario y otros beneficios que recibe actualmente de su actual empleador, por lo que cualquier beneficio derivado del Plan no será considerado bajo ninguna circunstancia como parte integral de su salario. Por lo anterior, Gap, Inc. se reserva el derecho absoluto para modificar o terminar el mismo, sin incurrir en responsabilidad alguna. Esta invitación y, en su caso, la adquisición de acciones, de ninguna manera establecen relación laboral alguna entre usted y Gap, Inc. y tampoco genera derecho alguno entre usted y su empleador.

PEOPLE'S REPUBLIC OF CHINA

Sale of Shares Upon Vesting. By accepting the Performance Shares, the Employee acknowledges and agrees that the Company or the Committee, in its sole discretion, has the right to determine that one of the following sales mechanisms will be pursued: (1) immediate sale of the Shares issued upon the vesting of Performance Shares ("Immediate Sale"); or (2) granting the Employee the right to hold the Shares issued upon the vesting of Performance Shares for a period of time and then sell the Shares on a future day at their own discretion ("Normal Sale"). In the event of a Termination of Service, the Company or the Committee shall also have the sole discretion to determine whether an Immediate Sale will occur. In any event, any Shares held shall be sold within 6 months of a Termination of Service or before the expiration of the Plan (whichever is earlier).

Shares will be transferred to a brokerage firm designated by the Company (the "Brokerage Firm"). The Brokerage Firm, on the Employee's behalf, may: (a) immediately sell the Shares at the prevailing market price pursuant to any process for the sale set forth by the Company pursuant to the Immediate Sale of the Shares, or (b) sell the Shares at the prevailing market price, upon receipt of a properly executed notice together with irrevocable instructions from the Employee, pursuant to any process for the sale set forth by the Company pursuant to Normal Sale of the Shares; and deliver the proceeds less the Tax-Related Items and any broker fees, to the Company or its designee, which would then remit the net proceeds to the Employee through the Company's or Affiliate's special purpose foreign exchange bank account in China. As a result of the Immediate Sale of Shares as set forth in this Appendix B, no Shares would be delivered to the Employee, and the Employee would not have any resulting rights as a shareholder of the Company. However, as a result of the Normal Sale of Shares as set forth in this Appendix B, the Employees will have the rights as shareholders as provided in paragraph 11 of Appendix A. In any case, Employee agrees that Shares may not be moved to any account or brokerage firm not designated by the Company and may not be moved out of any permitted account other than upon the sale of such Shares.

Mandatory Repatriation and Special Administration in China. The Employee's ability to be issued Shares at vesting shall be contingent upon the Company or its Affiliate obtaining approval from the State Administration of Foreign Exchange ("SAFE") for Employee's participation in the Plan (to the extent required as determined by the Company in its sole discretion) and the establishment of a SAFE-approved special-purpose foreign exchange bank account for equity sale proceeds. If at the time of vesting, SAFE approval has not been obtained, the Company may cancel this Performance Share with no liability, compensation or benefits in lieu of compensation due to Employee. Employee understands and agrees that he or she will be required to immediately repatriate the proceeds from the Immediate Sale or Normal Sale of Shares to China. Employee further understands that such repatriation of proceeds must be effected through the special account established by the Company or Affiliate, and Employee hereby consents and agrees that the proceeds from the Immediate Sale or Normal Sale of Shares will be transferred to such account prior to being delivered to Employee. Furthermore, Employee understands that due to SAFE approval requirements, there may be delays

in delivering the proceeds to Employee; Employee will bear any exchange rate risk relating to any delay; Employee may be required to open a U.S. dollar bank account to receive the proceeds; and Employee may also be required to pay directly to the Company or an Affiliate any Tax-Related Items due at vesting prior to receiving any proceeds from the sale of Shares.

The Company also has sole discretion to determine the mechanism to sell the Shares issued to Employee upon vesting. The provisions above pursuant to which Employee agrees to sell all Shares issued to him or her upon Termination of Service or immediately when the Shares are issued to him or her upon vesting at the then current market price is intended to be a plan pursuant to Rule 10b5-1 of the U.S. Securities Exchange Act of 1934 to the extent Employee is subject to this Act. By signing the Agreement, Employee represents that he or she is not aware of any material non-public information about the Company at the time he or she is signing the Agreement.

Please note that the Company in its sole discretion may choose not to apply the above procedures to non-PRC citizens.

SINGAPORE

Securities Law Notice. The grant of the Award is made in reliance on section 273(1)(f) of the Securities and Futures Act (Cap. 289) ("SFA") for which it is exempt from the prospectus and registration requirements under the SFA. By accepting the Award, Employee agrees not to sell any Shares within six months of the date of grant.

Director Notification Obligation. If Employee is a director, associate director or shadow director (i.e., a non-director who has sufficient control so that the directors act in accordance with the directions and instructions of this individual) of the Company's local entity in Singapore, he or she is subject to notification requirements under the Singapore Companies Act. Some of these notification requirements will be triggered by Employee's participation in the Plan. Specifically, Employee is required to notify the local Singapore company when he or she acquires or disposes an interest in the Company, including when Employee receives Shares upon vesting of this Award and when Employee sells these Shares. The notification must be in writing and must be made within two days of acquiring or disposing of any interest in the Company (or within two days of initially becoming a director, associate director or shadow director of the Company's local entity in Singapore). If Employee is unclear as to whether he or she is a director, associate director or shadow director of the Company's local entity in Singapore or the form of the notification, he or she should consult with his or her personal legal advisor.

Exit Tax / Deemed Exercise Rule. Employee understands and agrees that if Employee has received Performance Share awards in relation to his or her employment in Singapore, then if, prior to the vesting of the awards, Employee is 1) a permanent resident of Singapore and leaves Singapore permanently or is transferred out of Singapore; or 2) neither a Singapore citizen nor permanent resident and either ceases employment in Singapore or leaves Singapore for any period exceeding 3 months, Employee will likely be taxed on the Performance Shares on a "deemed exercise" basis, even though they have not yet vested. Employee should refer to the separate Stock Award and Option Guide and discuss his or her tax treatment with his or her personal tax advisor.

UNITED KINGDOM

Settlement of Performance Shares. Notwithstanding any discretion or anything to the contrary in the Plan, the grant of the Performance Shares does not provide any right for Employee to receive a cash payment and the Performance Shares will be settled in Shares only.

Tax and National Insurance Contributions Acknowledgment. The following provision supplements paragraph 10 of the Agreement:

Employee agrees that if Employee does not pay or the Employer or the Company does not withhold from Employee the full amount of Tax-Related Items that Employee owes in connection with the vesting of the Award and/or the acquisition of Shares pursuant to the vesting of the Award, or the release or assignment of the Award for consideration, or the receipt of any other benefit in connection with the Award (the "*Taxable Event*") within ninety (90) days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount that should have been withheld shall constitute a loan owed by Employee to the Employer, effective ninety (90) days after the Taxable Event. Employee agrees that the loan will bear interest at the official rate of HM Revenue and Customs ("HMRC") and will be immediately due and repayable by Employee, and the Company and/or the Employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to Employee by the Employer, by withholding in Shares issued upon vesting of the Award or from the cash proceeds from the sale of such Shares or by demanding cash or a cheque from Employee.

Employee also authorizes the Company to withhold the transfer of any Shares unless and until the loan is repaid in full.

Notwithstanding the foregoing, if Employee is an officer or executive director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that Employee is an officer or executive director and Tax-Related Items are not collected from or paid by Employee within ninety (90) days of the Taxable Event, the amount of any uncollected Tax-Related Items may constitute a benefit to Employee on which additional income tax and National Insurance contributions may be payable. Employee will be responsible for reporting any income tax and National Insurance contributions due on this additional benefit directly to HMRC under the self-assessment regime.

VIETNAM

Exchange Control Obligations. Any proceeds received upon sale of Shares and any dividends must be repatriated to Vietnam within 6 months from the date of issuance of the tax finalization report or equivalent document in relation to such proceeds.

* * *

Award No. _____

**THE GAP, INC.
RESTRICTED STOCK UNIT AWARD AGREEMENT**

The Gap, Inc. (the "Company") hereby grants to _____ (the "Employee"), an award (the "Award") of Restricted Stock Units (each Restricted Stock Unit shall be referred to as a "Stock Award") which represent the right to receive shares of the Company's common stock, \$0.05 par value (the "Shares") subject to the fulfillment of the vesting conditions and other conditions set forth in the attached Appendix A and Appendix B. This Award is granted pursuant to The Gap, Inc. [2011/2016] Long-Term Incentive Plan (the "Plan") and is subject to all of the terms and conditions contained in this Restricted Stock Unit Award Agreement (the "Agreement"), including the terms and conditions contained in the attached Appendix A, Appendix B and the Plan. The date of this Agreement is _____. Subject to the provisions of Appendix A, Appendix B and of the Plan, the principal features of this Award are as follows:

Number of Stock Awards: _____

Date of Grant: _____

**Date(s) Stock Awards
Scheduled to Vest:** _____

As provided in the Plan and in this Agreement, this Award may terminate before the scheduled vest date(s) of the Stock Awards. For example, if Employee's Termination of Service occurs before the date this Award vests, this Award will terminate at the same time as such Termination of Service. Important additional information on vesting and forfeiture of the Stock Awards covered by this Award including those due to changes in employment is contained in paragraphs 3 through 6 of Appendix A.

IN WITNESS WHEREOF, the Company and the Employee have agreed to the terms of this Agreement, to be effective as of the date first above written.

THE GAP, INC.

Dated: _____

By accepting this Award, electronically or otherwise, I understand and agree that this Award is 1) subject to all of the terms and conditions of this Agreement (including the attached Appendix A and Appendix B) and of the Plan, 2) not considered salary, nor is it a promise for future grants of Awards, 3) not a term or condition of my employment with the Company (or one of its Affiliates), and 4) made at the sole discretion of the Company.

APPENDIX A

TERMS AND CONDITIONS OF STOCK AWARD

1. Grant of Stock Awards. The Company hereby grants to the Employee as a separate incentive and not in lieu of any salary or other compensation for his or her services provided to the Company or an Affiliate, an Award with respect to the number of Stock Awards set forth on page 1 of this Agreement, subject to all the terms and conditions in this Agreement and the Plan. Employee understands and agrees that this Award does not guarantee any future Stock Award grants and that grants are made at the sole discretion of the Company.

2. Company's Obligation to Pay. Unless and until a Stock Award has vested in accordance with the terms hereof, the Employee will have no right to payment of a Share with respect to the Stock Award. Prior to actual payment of any Shares pursuant to vested Stock Awards, each Stock Award represents an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. No Shares shall be issued until after the Stock Awards have vested in accordance with the terms hereof and shall be issued in accordance with the settlement terms hereof. Notwithstanding Section 9.6 of the Plan, the Stock Awards will only be settled, if at all, in Shares, provided that to the extent a fractional share is earned, the number of Shares paid shall be rounded down to the nearest whole number and no fractional Share shall be issued.

3. Vesting of Stock Awards and Issuance of Shares.

(a) Subject to paragraphs 4, 5 and 6, the Stock Awards subject to this Agreement will vest as to the number of Stock Awards, and on the dates shown, on the first page of this Agreement (each a "Vesting Date"), but in each case, only if the Employee has been continuously employed by, or providing consulting services to, the Company or one of its Affiliates from the date of this Award until the applicable Vesting Date of the Stock Awards. If Employee has had a Termination of Service (as described below) prior to such date(s), the Award shall terminate, as set forth in paragraph 6.

(b) Subject to earlier issuance pursuant to paragraph 4 or 5, upon each Vesting Date, one Share shall be issued for each Stock Award that vests on such Vesting Date, subject to the terms and provisions of the Plan and this Agreement.

(c) If the Committee, in its discretion, accelerates the vesting of the balance, or some lesser portion of the balance, of the Stock Award (or acceleration occurs pursuant to Section 12.2 of the Plan), the payment of such accelerated portion of the Stock Award nevertheless shall be made at the same time or times as if such Stock Award had vested in accordance with the vesting schedule set forth on the first page of this Agreement (whether or not the Employee remains employed by the Company or by one of its Affiliates as of such date(s)).

(d) Notwithstanding the foregoing, if the Committee, in its discretion, accelerates the vesting of the balance, or some lesser portion of the balance, of the Stock Award in connection with Employee's "separation from service" within the meaning of Section 409A and if (i) Employee is subject to U.S. income tax, and (ii) Employee is a "specified employee" within the meaning of Section 409A at the time of such separation from service, then any such accelerated Stock Awards otherwise payable within the six (6) month period following Employee's separation from service instead will be paid on the date that is six (6) months and one (1) day following the date of Employee's separation from service, unless the Employee dies following his or her separation from service prior to such time, in which case, the Stock Awards will be paid to the Employee's estate upon his or her death, subject to paragraph 7. Thereafter, such Stock Awards shall continue to be paid in accordance with the requirements of paragraph 3(c). For purposes of this Agreement, "Section 409A" means Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and any final Treasury Regulations and other Internal Revenue Service guidance thereunder, as each may be amended from time to time ("Section 409A"). This paragraph 3(d) shall only apply to the extent necessary to avoid taxation under Section 409A.

(e) It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Shares subject to the Stock Award granted under this Agreement will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply.

(f) No fractional Shares shall be issued under this Agreement. To the extent a fractional share is earned, the number of Shares paid shall be rounded down to the nearest whole number and no fractional Share shall be issued.

4. Death. In the event of the Employee's death, the remaining Stock Awards shall automatically and with no exercise of discretion by the Committee become fully vested, and shall be settled, on the date of

death. Notwithstanding the previous sentence, if in the event that within one year of the date of this Agreement, Employee dies, this Stock Award shall immediately thereupon terminate.

5. Retirement

(a) Except as would result in taxation under Section 409A, a portion of the remaining Stock Awards automatically and with no exercise of discretion by the Committee shall become fully vested, and shall be settled, and applicable taxes shall be withheld by the Company or its designated Affiliate in accordance with paragraph 7 in the first year on or after the one-year anniversary of this Agreement that the Employee is eligible for Retirement (as defined below) on (1) the later of the date that the Employee is so eligible for Retirement or November 15th of such year. The portion of the remaining Stock Awards that vests and is settled in accordance with the preceding sentence shall have an aggregate market value sufficient to pay any taxes required to be withheld by the Company (or an Affiliate) solely as a result of (a) the Employee's becoming eligible to receive shares of common stock upon Retirement pursuant to paragraph 5(b), and (b) the vesting and settlement of such portion of the remaining Stock Awards.

(b) In the event of Employee's Retirement (as defined below), the remaining Stock Awards automatically and with no exercise of discretion by the Committee shall become fully vested, and shall be settled, on the date of such Retirement. Notwithstanding any other provision of this paragraph 5, if in the event that within one year of the date of this Agreement, Employee Retires, no portion of this Stock Award will vest and this Stock Award shall immediately thereupon terminate. If (i) Employee is subject to U.S. income tax, and (ii) Employee is a "specified employee" within the meaning of Section 409A at the time of such Retirement then the payment of such accelerated Stock Awards will not be made until the date six (6) months and one (1) day following the date of such Retirement, unless the Employee dies following such Retirement prior to such time, in which case, the Stock Awards will be paid to the Employee's estate (or beneficiary) upon his or her death, subject to paragraph 7.

For purposes of this Agreement, "Retirement" shall mean Employee's Termination of Service (or for U.S. taxpayers "separation from service" within the meaning of Section 409A) for any reason (other than due to Employee's misconduct as determined by the Company in its sole discretion) after Employee has attained age 60 and completed at least five (5) years of continuous service as an Employee of the Company or an Affiliate.

6. Termination of Service. Notwithstanding any contrary provision of this Agreement and except as set forth in paragraphs 3, 4 or 5, the balance of the Stock Awards that have not vested will be forfeited and cancelled automatically at the time of the Employee's Termination of Service. For purposes of this Agreement, Termination of Service shall have the meaning set forth in the Plan and be determined by reference to Employee's service without reference to any other agreement, written or oral, including Employee's contract of employment (if any). Thus, in the event of Employee's Termination of Service (whether or not in breach of local labor laws), unless otherwise expressly provided for under this Agreement, Employee's right to vest in the Stock Awards under the Plan, if any, will terminate at the time of Employee's Termination of Service; the Committee shall have the exclusive discretion to determine when the Employee has incurred a Termination of Service.

7. Withholding Taxes. Regardless of any action the Company or Employee's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, or any other required deductions or payments related to the Employee's participation in the Plan and legally applicable to the Employee ("Tax-Related Items"), the Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by the Employee is and remains the Employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. Employee is also solely responsible for filing all relevant documentation that may be required of Employee in relation to his or her participation in the Plan or any Tax-Related Items, such as but not limited to personal income tax returns or any reporting statements in relation to the grant, holding, vesting of the Stock Awards, the holding of Shares or any bank or brokerage account, the subsequent sale of Shares, and the receipt of dividends, if any. Employee further acknowledges that the Company and/or the Employer (a) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Stock Awards, including the grant, holding, or vesting of the Stock Awards, the holding or subsequent sale of Shares acquired under the Plan and the receipt of dividends, if any; and (b) does not commit to and is under no obligation to structure the terms of the Stock Awards or any aspect of the Stock Awards to reduce or eliminate the Employee's liability for Tax-Related Items, or achieve any particular tax result. Employee also understands that applicable laws may require varying Share or Stock Award valuation methods for purposes of calculating Tax-Related Items, and the Company assumes no responsibility or liability in relation to any such valuation or for any calculation or reporting of income or Tax-Related Items that may be required of Employee under Applicable Laws. Further, if Employee has become subject to tax in more than one jurisdiction, Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

No payment will be made to the Employee (or his or her estate) in relation to the Stock Award unless and until satisfactory arrangements (as determined by the Committee) have been made by the Employee with respect to the payment of any Tax-Related Items and any other of the Company and/or the Employer with respect to the Stock Awards. In this regard, the Employee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from Employee's wages or other cash compensation paid to Employee by the Company or the Employer; or
- (b) withholding from proceeds of the sale of Shares acquired upon vesting of the Stock Awards, either through a voluntary sale or through a mandatory sale arranged by the Company (on Employee's behalf pursuant to this authorization); or
- (c) withholding in Shares to be issued upon settlement of the Stock Awards; or
- (d) surrendering already-owned Shares having a Fair Market Value equal to the Tax-Related Items that have been held for such period of time to avoid adverse accounting consequences.

If the obligation for Tax-Related Items is satisfied by withholding Shares, for tax purposes, the Employee is deemed to have been issued the full number of Shares subject to the Stock Award, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items due as a result of the Employee's participation in the Plan. The Employee shall pay to the Company or Employer any amount of Tax-Related Items that the Company may be required to withhold or account for as a result of the Employee's participation in the Plan that cannot be satisfied by one or more of the means previously described in this paragraph 7. The Employee acknowledges and agrees that the Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if Employee fails to comply with his or her obligations in connection with the Tax-Related Items. In addition, Employee further agrees that any cross-border cash remittance made to transfer proceeds received upon the sale of Shares must be made through a locally authorized financial institution or registered foreign exchange agency and may require Employee to provide to such entity certain information regarding the transaction.

It is the Company's current practice to withhold a portion of the Shares scheduled to be issued pursuant to vested Stock Awards that have an aggregate market value sufficient to pay the Tax-Related Items. The Company will only withhold whole Shares and therefore the Employee also authorizes deduction without notice from salary or other amounts payable to the Employee of cash in an amount sufficient to satisfy the Employer's remaining tax withholding obligation. Notwithstanding the previous two sentences, the Employee, if the Company in its sole discretion so agrees, may elect to furnish to the Company written notice, no more than 30 days and no less than 5 days in advance of a scheduled Vesting Date (or other required withholding event), of his or her intent to satisfy the tax withholding requirement by remitting the full amount of the tax withholding to the Company on the scheduled Vesting Date (or other required withholding event). In the event that Employee provides such written notice and fails to satisfy the amounts required for the Tax-Related Items by the Vesting Date (or other required withholding event), the Company shall satisfy the tax withholding requirement pursuant to the first two sentences of this paragraph. However, the Company reserves the right to withhold for Tax-Related Items pursuant to any means set forth in this paragraph.

8. Vesting/Foreign Taxes Due. If Employee is subject to tax in a country outside the U.S. ("Foreign Country") and if pursuant to the tax rules in such Foreign Country, Employee will be subject to tax prior to the date that Employee is issued Shares pursuant to this Agreement, the Committee, in its discretion, may accelerate vesting and settlement of a portion of the Stock Awards to the extent necessary to pay the foreign taxes due (and any applicable U.S. income taxes due as a result of the acceleration of vesting and settlement) but only if such acceleration does not result in adverse consequences under Section 409A (as permitted under Treasury Regulation Section 1.409A-3(j)(4)(xi)).

9. Beneficiary Designation. Any distribution or delivery to be made to the Employee under this Agreement will, if the Employee is then deceased, be made to the Employee's designated beneficiary to the extent such designation is valid under applicable law, or if no such beneficiary survives the Employee or no beneficiary is designated, the person or persons entitled to such distribution or delivery under the Employee's will or, to the executor of his or her estate. In order to be effective, a beneficiary designation must be made by the Employee in a form and manner acceptable to the Company and permitted by the Company. Any transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

10. Conditions to Issuance of Shares. The Shares deliverable to the Employee on the applicable settlement date may be either previously authorized but unissued Shares or issued Shares that have

been reacquired by the Company. The Company shall not be required to issue any Shares hereunder so long as the Company reasonably anticipates that such issuance will violate Federal securities law, foreign securities law or other applicable law; provided however, that in such event the Company shall issue such Shares at the earliest possible date at which the Company reasonably anticipates that the issuance of the shares will not cause such violation. For purposes of the previous sentence, any issuance of Shares that would cause inclusion in gross income or the application of any penalty provision or other provision of the Internal Revenue Code or foreign tax law shall not be treated as a violation of applicable law.

11. Rights as Stockholder. Neither the Employee nor any person claiming under or through the Employee will have any of the rights or privileges of a stockholder of the Company in respect of any Stock Award unless and until Shares have been issued in accordance with paragraph 3, 4 or 5, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Employee. Except as provided in paragraph 12, after such issuance, recordation, and delivery, the Employee will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

12. Adjustments. The Award is subject to adjustment in accordance with Section 4.3 of the Plan.

13. Nature of Grant. In accepting the grant of Stock Awards, the Employee acknowledges that:

(a) the grant of the Stock Awards is voluntary and occasional and does not create any contractual or other right to receive future grants of Stock Awards, or benefits in lieu of Stock Awards, even if Stock Awards have been granted repeatedly in the past;

(b) all decisions with respect to future Stock Award grants, if any, will be at the sole discretion of the Company;

(c) the Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate his or her employment relationship at any time;

(d) the Employee is voluntarily participating in the Plan;

(e) the Stock Awards are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of the Employee's employment contract, if any;

(f) the Stock Awards and the Shares subject to the Stock Awards are not intended to replace any pension rights or compensation;

(g) the Stock Awards are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Employer;

(h) the Stock Awards grant and the Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Company or any Affiliate;

(i) the future value of the Shares is unknown and cannot be predicted with certainty; further, neither the Company, nor any Affiliate is responsible for any foreign exchange fluctuation between local currency and the United States Dollar (or the selection by the Company or an Affiliate in its sole discretion of an applicable foreign currency exchange rate) that may affect the value of the Stock Awards (or the calculation of income or Tax-Related Items thereunder);

(j) in consideration of the grant of the Stock Awards, no claim or entitlement to compensation or damages shall arise from forfeiture of the Stock Awards resulting from Employee's Termination of Service (for any reason whatsoever and whether or not in breach of local labor laws) and the Employee irrevocably releases the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, the Employee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim; and

(k) the Stock Awards and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

14. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan,

or his or her acquisition or sale of the underlying Shares. The Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding the Employee's participation in the Plan before taking any action related to the Plan.

15. **Data Privacy.** *The Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Employee's personal data as described in this Agreement by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing the Employee's participation in the Plan.*

The Employee understands that the Company and its Affiliates may hold certain personal information about the Employee, including, but not limited to, the Employee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company or any Affiliate, details of all Stock Awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Personal Data"). The Employee understands that Personal Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States, the Employee's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Employee's country. The Employee authorizes the recipients to receive, possess, use, retain and transfer the Personal Data, in electronic or other form, for the purposes of implementing, administering and managing the Employee's participation in the Plan, including any requisite transfer of such Personal Data as may be required to a broker or other third party with whom the Employee may elect to deposit any Shares received upon vesting of the Stock Awards. The Employee understands that refusal or withdrawal of the consents herein may affect the Employee's ability to participate in the Plan or to realize benefits from the Stock Awards. For more information on the consequences of the Employee's refusal to consent or withdrawal of consent, the Employee understands that he or she may contact his or her local human resources representative.

16. **Plan Governs.** This Agreement is subject to all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Terms used in this Agreement that are not defined in this Agreement will have the meaning set forth in the Plan.

17. **Committee Authority.** The Committee will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any portion of the Stock Award has vested). All actions taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon the Employee, the Company and all other interested persons. No member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

18. **No Right to Continued Employment.** Employee understands and agrees that this Agreement does not impact in any way the right of the Employer to terminate or change the terms of the employment of Employee at any time for any reason whatsoever, with or without good cause provided in accordance with applicable local law. Employee understands and agrees that unless contrary to applicable local law or there is an employment contract in place providing otherwise, his or her employment is "at-will" and that either the Employer or Employee may terminate Employee's employment at any time and for any reason subject to applicable local law. Employee also understands and agrees that his or her "at-will" status (if applicable) can only be changed by an express written contract signed by an authorized officer of the Company and Employee if the Employee's employer is the Company.

19. **Non-Transferability of Award.** Except as otherwise herein provided, the Stock Awards herein granted and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of such Stock Award, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment or similar process upon the rights and privileges conferred hereby, such Stock Award and the rights and privileges conferred hereby will immediately become null and void.

20. **Binding Agreement.** Subject to the limitation on the transferability of the Stock Award contained herein, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the Employee and the Company.

21. Addresses for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of its Legal Department, at The Gap, Inc., Two Folsom, San Francisco, California 94105, or at such other address as the Company may hereafter designate in writing. Any notice to be given to the Employee will be addressed to the Employee at the address set forth on the records of the Company. Any such notice will be deemed to have been duly given if and when enclosed in a properly sealed envelope, addressed as aforesaid, and deposited, postage prepaid, in a United States post office or generally recognized international courier such as DHL or Federal Express.

22. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

23. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

24. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. The Employee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written agreement executed by a duly authorized officer of the Company.

25. Amendment, Suspension or Termination of the Plan. By accepting this Award, the Employee expressly warrants that he or she has received a right to an equity based award under the Plan, and has received, read, and understood a description of the Plan. The Employee understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.

26. Notice of Governing Law and Venue. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California without regard to principles of conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California and no other courts, where this grant is made and/or to be performed.

27. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents or notices related to current or future participation in the Plan by electronic means. By accepting this Award, whether electronically or otherwise, the Employee hereby consents to receive such documents or notices by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the use of electronic signatures or click-through acceptance of terms and conditions.

28. Language. If the Employee has received this Agreement, including Appendices, or any other document related to the Plan translated into a language other than English, and the meaning of the translated version is different than the English version, the English version will control.

29. Appendix B. Notwithstanding any provisions in this Agreement, the Stock Awards shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for Employee's country. Moreover, if the Employee relocates to one of the countries included in Appendix B, the special terms and conditions for such country will apply to the Employee, to the extent Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. As stated above, Appendix B constitutes part of this Agreement.

30. Imposition of Other Requirements. The Company reserves the right, without Employee's consent, to cancel or forfeit any outstanding portion of the Stock Awards or to impose other requirements on Employee's participation in the Plan, on the Stock Awards and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Employee also understands that the laws of the country in which Employee is residing or working at the time of grant or vesting of this Award (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may restrict or prevent the issuance of Shares under this Award or may subject Employee to additional procedural or regulatory requirements that Employee is and will be solely responsible for and must fulfill, and neither the Company nor any Affiliate assumes any liability in relation to this Award in such case. Such requirements may be outlined in but are not limited to those described in Appendix B.

APPENDIX B

ADDITIONAL TERMS AND CONDITIONS OF THE GAP, INC. RESTRICTED STOCK UNIT AWARD AGREEMENT NON-U.S. EMPLOYEES

Terms and Conditions

This Appendix B includes special terms and conditions applicable to Employee if Employee resides in one of the countries listed below. These terms and conditions are in addition to or, if so indicated, in place of, the terms and conditions set forth in the Agreement. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Agreement.

Notifications

This Appendix B also includes country-specific information of which Employee should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of March 2016. However, such laws are often complex and change frequently. As a result, the Company strongly recommends that Employee does not rely on the information noted herein as the only source of information relating to the consequences of Employee's participation in the Plan because the information may be out of date at the time that Employee vests in Share Awards or sells Shares acquired under the Plan. In addition, the information is general in nature and may not apply to Employee's particular situation, and the Company is not in a position to assure Employee of any particular result. Accordingly, Employee is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation. Finally, please note that if Employee is a citizen or resident of a country other than the country in which he or she is currently working, or transfers employment after grant, the information contained in this Appendix B may not be applicable to Employee.

Securities Law Notice

Unless otherwise noted, neither the Company nor the Shares for purposes of the Plan are registered with any local stock exchange or under the control of any local securities regulator outside the U.S. The Agreement, the Plan, and any other communications or materials that Employee may receive regarding participation in the Plan do not constitute advertising or an offering of securities outside the U.S., and the issuance of securities described in any Plan-related documents is not intended for offering or public circulation outside the U.S.

EUROPEAN UNION

Data Privacy. The following language supplements Section 15 of Appendix A of the Agreement:

The Employee understands that Personal Data will be held only as long as is necessary to implement, administer and manage the Employee's participation in the Plan. The Employee understands that he or she may, at any time, view Personal Data, request additional information about the storage, processing, or transfer of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consents herein, without cost, by contacting in writing the Employee's local human resources representative.

CANADA

Settlement of Stock Awards. Notwithstanding any discretion or anything to the contrary in the Plan, the grant of the Stock Awards does not provide any right for Employee to receive a cash payment and the Stock Awards will be settled in Shares only.

Foreign Share Ownership Reporting. If you are a Canadian resident, your ownership of certain foreign property (including shares of foreign corporations) may be subject to strict annual tax reporting obligations. Please refer to [CRA Form T1135](#) (Foreign Income Verification Statement) and consult your tax advisor for further details. It is your responsibility to comply with all applicable tax reporting requirements.

The following provisions will apply to Employees who are residents of Quebec:

Language Consent. The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

France

Taxation of Award. This Award is not intended to be French tax-qualified.

Language Consent. In accepting the grant of the Stock Awards and the Agreement which provides for the terms and conditions of the Stock Awards, Employee confirms that he or she has read and understood the documents relating to the Stock Awards (the Plan and the Agreement), which were provided in the English language. Employee accepts the terms of these documents accordingly.

Consentement Relatif à la Langue Utilisée. *En acceptant cette attribution gratuite d'actions et ce contrat qui contient les termes et conditions de cette attribution gratuite d'actions, l'employé confirme ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan et le Contrat d'Attribution) qui lui ont été communiqués en langue anglaise. L'employé en accepte les termes en connaissance de cause.*

Exchange Control Information. French residents with foreign account balances in excess of €1 million (or equivalent) must report monthly to the Banque de France.

HONG KONG

Securities Law Notice. The Stock Awards and Shares issued upon vesting (if any) do not constitute a public offering of securities under Hong Kong law and are available only to Employees of the Company and its Affiliates. The Agreement, including this Appendix B, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The Award is intended only for the personal use of each eligible Employee of the Company or its Affiliates and may not be distributed to any other person. If Employee is in any doubt about any of the contents of the Agreement, including this Appendix B, or the Plan, Employee should obtain independent professional advice.

INDIA

Tax Information. The amount subject to tax at vesting may be dependent upon a valuation of Shares from a Merchant Banker in India. The Company has no responsibility or obligation to obtain the most favorable valuation possible nor obtain valuations more frequently than required under Indian tax law.

Exchange Control Obligations. Employee understands that he or she must repatriate any proceeds from the sale of Shares acquired under the Plan and any dividends received in relation to the Shares to India and convert the proceeds into local currency within ninety (90) days of receipt. Employee will receive a foreign inward remittance certificate ("FIRC") from the bank where he or she deposits the foreign currency. Employee should maintain the FIRC as evidence of the repatriation of fund in the event the Reserve Bank of India or the Employer requests proof of repatriation.

JAPAN

Securities Acquisition Report. If you acquire Shares valued at more than ¥100,000,000 total, you must file a Securities Acquisition Report with the Ministry of Finance ("MOF") through the Bank of Japan within 20 days of the acquisition of the Shares.

Exit Tax. Please note that you may be subject to tax on the Stock Awards, even prior to vesting, upon relocation from Japan if you (1) hold financial assets with an aggregate value of ¥100,000,000 or more upon departure from Japan and (2) maintained a principle place of residence (*jusho*) or temporary place of abode (*kyosho*) in Japan for 5 years or more during the 10-year period immediately prior to departing Japan. You should discuss your tax treatment with your personal tax advisor.

KOREA

Exchange Control Information. Exchange control laws require Korean residents who realize US\$500,000 or more from the sale of Shares to repatriate the proceeds to Korea within 18 months of the sale. Separate sales may be deemed a single sale if it is found that the sole purpose was to avoid exceeding the per sale threshold.

MEXICO

Labor Law Acknowledgment. The invitation Gap, Inc. is making under the Plan is unilateral and discretionary and is not related to the salary and other contractual benefits granted to you by your employer; therefore, benefits derived from the Plan will not under any circumstance be considered as an integral part of your salary. Gap, Inc. reserves the absolute right to amend the Plan and discontinue it at any time without incurring any liability whatsoever. This invitation and, in your case, the acquisition of shares does not, in any way, establish a labor relationship between you and Gap, Inc., nor does it establish any rights between you and your employer.

La invitación que Gap, Inc. hace en relación con el Plan es unilateral, discrecional y no se relaciona con el salario y otros beneficios que recibe actualmente de su actual empleador, por lo que cualquier beneficio derivado del Plan no será considerado bajo ninguna circunstancia como parte integral de su salario. Por lo anterior, Gap, Inc. se reserva el derecho absoluto para modificar o terminar el mismo, sin incurrir en responsabilidad alguna. Esta invitación y, en su caso, la adquisición de acciones, de ninguna manera establecen relación laboral alguna entre usted y Gap, Inc. y tampoco genera derecho alguno entre usted y su empleador.

PEOPLE'S REPUBLIC OF CHINA

Sale of Shares Upon Vesting. By accepting the Stock Awards, the Employee acknowledges and agrees that the Company or the Committee, in its sole discretion, has the right to determine that one of the following sales mechanisms will be pursued: (1) immediate sale of the Shares issued upon the vesting of Stock Awards ("Immediate Sale"); or (2) granting the Employee the right to hold the Shares issued upon the vesting of Stock Awards for a period of time and then sell the Shares on a future day at their own discretion ("Normal Sale"). In the event of a Termination of Service, the Company or the Committee shall also have the sole discretion to determine whether an Immediate Sale will occur. In any event, any Shares held shall be sold within 6 months of a Termination of Service or before the expiration of the Plan (whichever is earlier).

Shares will be transferred to a brokerage firm designated by the Company (the "Brokerage Firm"). The Brokerage Firm, on the Employee's behalf, may: (a) immediately sell the Shares at the prevailing market price pursuant to any process for the sale set forth by the Company pursuant to the Immediate Sale of the Shares, or (b) sell the Shares at the prevailing market price, upon receipt of a properly executed notice together with irrevocable instructions from the Employee, pursuant to any process for the sale set forth by the Company pursuant to Normal Sale of the Shares; and deliver the proceeds less the Tax-Related Items and any broker fees, to the Company or its designee, which would then remit the net proceeds to the Employee through the Company's or Affiliate's special purpose foreign exchange bank account in China. As a result of the Immediate Sale of Shares as set forth in this Appendix B, no Shares would be delivered to the Employee, and the Employee would not have any resulting rights as a shareholder of the Company. However, as a result of the Normal Sale of Shares as set forth in this Appendix B, the Employees will have the rights as shareholders as provided in paragraph 11 of Appendix A. In any case, Employee agrees that Shares may not be moved to any account or brokerage firm not designated by the Company and may not be moved out of any permitted account other than upon the sale of such Shares.

Mandatory Repatriation and Special Administration in China. The Employee's ability to be issued Shares at vesting shall be contingent upon the Company or its Affiliate obtaining approval from the State Administration of Foreign Exchange ("SAFE") for Employee's participation in the Plan (to the extent required as determined by the Company in its sole discretion) and the establishment of a SAFE-approved special-purpose foreign exchange bank account for equity sale proceeds. If at the time of vesting, SAFE approval has not been obtained, the Company may cancel this Stock Award with no liability, compensation or benefits in lieu of compensation due to Employee. Employee understands and agrees that he or she will be required to immediately repatriate the proceeds from the Immediate Sale or Normal Sale of Shares to China. Employee further understands that such repatriation of proceeds must be effected through the special account established by the Company or Affiliate, and Employee hereby consents and agrees that the proceeds from the Immediate Sale or Normal Sale of Shares will be transferred to such account prior to being delivered to Employee. Furthermore, Employee understands that due to SAFE approval requirements, there may be delays in delivering the proceeds to Employee; Employee will bear any exchange rate risk relating to any delay; Employee may be required to open a U.S. dollar bank account to receive the proceeds; and Employee may also be required to pay directly to the Company or an Affiliate any Tax-Related Items due at vesting prior to receiving any proceeds from the sale of Shares.

The Company also has sole discretion to determine the mechanism to sell the Shares issued to Employee upon vesting. The provisions above pursuant to which Employee agrees to sell all Shares issued to him or her upon Termination of Service or immediately when the Shares are issued to him or her upon vesting at the then current market price is intended to be a plan pursuant to Rule 10b5-1 of the U.S. Securities Exchange Act of 1934 to the extent Employee is subject to this Act. By signing the Agreement, Employee represents that he or

she is not aware of any material non-public information about the Company at the time he or she is signing the Agreement.

Please note that the Company in its sole discretion may choose not to apply the above procedures to non-PRC citizens.

SINGAPORE

Securities Law Notice. The grant of Stock Awards is made in reliance on section 273(1)(f) of the Securities and Futures Act (Cap. 289) ("SFA") for which it is exempt from the prospectus and registration requirements under the SFA. By accepting the Award, Employee agrees not to sell any Shares within six months of the date of grant.

Director Notification Obligation. If Employee is a director, associate director or shadow director (i.e., a non-director who has sufficient control so that the directors act in accordance with the directions and instructions of this individual) of the Company's local entity in Singapore, he or she is subject to notification requirements under the Singapore Companies Act. Some of these notification requirements will be triggered by Employee's participation in the Plan. Specifically, Employee is required to notify the local Singapore company when he or she acquires or disposes an interest in the Company, including when Employee receives Shares upon vesting of this Award and when Employee sells these Shares. The notification must be in writing and must be made within two days of acquiring or disposing of any interest in the Company (or within two days of initially becoming a director, associate director or shadow director of the Company's local entity in Singapore). If Employee is unclear as to whether he or she is a director, associate director or shadow director of the Company's local entity in Singapore or the form of the notification, he or she should consult with his or her personal legal advisor.

Exit Tax / Deemed Exercise Rule. Employee understands and agrees that if Employee has received Stock Awards in relation to his or her employment in Singapore, then if, prior to the vesting of the Stock Awards, Employee is 1) a permanent resident of Singapore and leaves Singapore permanently or is transferred out of Singapore; or 2) neither a Singapore citizen nor permanent resident and either ceases employment in Singapore or leaves Singapore for any period exceeding 3 months, Employee will likely be taxed on the Stock Awards on a "deemed exercise" basis, even though the Stock Awards have not yet vested. Employee should refer to the separate Stock Award and Option Guide and discuss his tax treatment with his personal tax advisor.

UNITED KINGDOM

Settlement of Stock Awards. Notwithstanding any discretion or anything to the contrary in the Plan, the grant of the Stock Awards does not provide any right for Employee to receive a cash payment and the Stock Awards will be settled in Shares only.

Tax and National Insurance Contributions Acknowledgment. The following provision supplements paragraph 7 of the Agreement:

Employee agrees that if Employee does not pay or the Employer or the Company does not withhold from Employee the full amount of Tax-Related Items that Employee owes in connection with the vesting of the Stock Award and/or the acquisition of Shares pursuant to the vesting of the Stock Award, or the release or assignment of the Stock Award for consideration, or the receipt of any other benefit in connection with the Award (the "*Taxable Event*") within ninety (90) days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount that should have been withheld shall constitute a loan owed by Employee to the Employer, effective ninety (90) days after the Taxable Event. Employee agrees that the loan will bear interest at the official rate of HM Revenue and Customs ("HMRC") and will be immediately due and repayable by Employee, and the Company and/or the Employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to Employee by the Employer, by withholding in Shares issued upon vesting of the Award or from the cash proceeds from the sale of such Shares or by demanding cash or a cheque from Employee. Employee also authorizes the Company to withhold the transfer of any Shares unless and until the loan is repaid in full.

Notwithstanding the foregoing, if Employee is an officer or executive director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that Employee is an officer or executive director and Tax-Related Items are not collected from or paid by Employee within ninety (90) days of the Taxable Event, the amount of any uncollected Tax-Related Items may constitute a benefit to Employee on which additional income tax and National Insurance contributions may be payable. Employee will be responsible for reporting any income tax and National Insurance contributions due on this additional benefit directly to HMRC under the self-assessment regime.

VIETNAM

Exchange Control Obligations. Any proceeds received upon sale of Shares and any dividends must be repatriated to Vietnam within 6 months from the date of issuance of the tax finalization report or equivalent document in relation to such proceeds.

* * *

Grant No. _____

**THE GAP, INC.
DIRECTOR STOCK UNIT AGREEMENT**

The Gap, Inc. (the "Company") hereby grants to _____ (the "Director"), the number of Stock Units under the Company's [2011/2016] Long-Term Incentive Plan (the "Plan") indicated below. This award is subject to all of the terms and conditions contained in this Director Stock Unit Agreement (the "Agreement"), including the terms and conditions contained in the attached Appendix A and the Plan. The date of this Agreement is «Award_Date». Subject to the provisions of Appendix A and of the Plan, the principal features of this award are as follows:

Date of Grant: _____

Number of Stock Units: _____

Vesting of Stock Units ("Vesting Schedule"): 100% of the Stock Units shall be immediately vested upon the Date of Grant.

Your signature below indicates your agreement and understanding that this award is subject to all of the terms and conditions contained in Appendix A and the Plan. PLEASE BE SURE TO READ ALL OF APPENDIX A AND THE PLAN, WHICH CONTAINS THE SPECIFIC TERMS AND CONDITIONS OF THIS AWARD.

IN WITNESS WHEREOF, the Company and the Director have executed this Agreement, in duplicate, to be effective as of the day and year first above written.

THE GAP, INC.

Dated: _____

My signature below indicates that I understand that this award is subject to all of the terms and conditions of this Agreement (including the attached Appendix A) and of the Plan.

DIRECTOR

Dated: _____

Address: _____

APPENDIX A
TERMS AND CONDITIONS OF STOCK UNIT GRANT

1. Grant of Stock Units. The Company hereby grants to the Director under the Plan the number of Stock Units indicated on the first page of this Agreement subject to the terms and conditions set forth in this Agreement and the Plan.

2. Company's Obligation to Pay. On any date, a Stock Unit has a value equal to the Fair Market Value of one Share. Unless and until the Stock Units have vested in accordance with the Vesting Schedule set forth on the first page of this Agreement, the Director will have no right to payment of the Stock Units. Prior to actual payment of any vested Stock Units, Stock Units represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Payment.

[ALTERNATIVE 1 (WITH NO DEFERRAL OR DEFERRAL TO A LATER DATE):

(a) *General Rule.* Vested Stock Units will be paid to the Director in full Shares (with the balance, if any, in cash) as soon as practicable (but not more than ninety (90) days) following the earliest of (i) the date which is three (3) years from the Date of Grant (or later date elected by the Director in accordance with Section 3(b)), (ii) the Director's separation from service (in accordance with Section 3(c)), or (iii) certain change in control transactions described in Section 3(d), in each case, subject to paragraph 5.

(b) *Election to Defer Payment.* Notwithstanding paragraph 3(a), at the discretion of the Committee and in accordance with the Plan, Code Section 409A and such rules established by the Committee, the Director may elect to further defer delivery of the proceeds due with respect to his or her vested Stock Units by properly completing and submitting a Stock Unit Deferral Election Form (the "Election Form") to the Company in accordance with the directions on the Election Form and the procedures established by the Committee.

(c) *Termination of Service.* In the event that the Director incurs a separation from service (within the meaning of Code Section 409A) for any reason, including, but not limited to, death, Disability, or Retirement, the vested Stock Units will be paid to the Director (or in the event of the Director's death, to his or her estate) as soon as practicable (but not more than 90 days) following the date of such separation from service, except as provided by paragraph 8, and in each case subject to paragraph 5.

(d) *Change in Control.* In the event of a transaction or event that constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company (as determined in accordance with section 409A(a)(2)(A)(v) of the U.S. Internal Revenue Code of 1986, as amended and Treasury Regulation Section 1.409A-3(i)(5)), the vested Stock Units will be paid to the Director as soon as practicable (but not more than 90 days) following the date of such transaction or event (subject to paragraph 5).]

[ALTERNATIVE 2 (WITH DEFERRAL ELECTION TO SEPARATION):

(a) *General Rule.* Vested Stock Units will be paid to the Director in full Shares (with the balance, if any, in cash) as soon as practicable (but not more than ninety (90) days) following the earlier of (i) the Director's separation from service (in accordance with Section 3(b)), or (ii) certain change in control transactions described in Section 3(c), in each case, subject to paragraph 5.

(b) *Termination of Service.* In the event that the Director incurs a separation from service (within the meaning of Code Section 409A) for any reason, including, but not limited to, death, Disability, or Retirement, the vested Stock Units will be paid to the Director (or in the event of the Director's death, to his or her estate) as soon as practicable (but not more than 90 days) following the date of such separation from service, except as provided by paragraph 8, and in each case subject to paragraph 5.

(c) Change in Control. In the event of a transaction or event that constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company (as determined in accordance with section 409A(a)(2)(A)(v) of the U.S. Internal Revenue Code of 1986, as amended and Treasury Regulation Section 1.409A-3(i)(5)), the vested Stock Units will be paid to the Director as soon as practicable (but not more than 90 days) following the date of such transaction or event (subject to paragraph 5).]

4. Death of Director. Any distribution or delivery to be made to the Director under this Agreement will, if the Director is then deceased, be made to the Director's designated beneficiary to the extent such designation is valid under applicable law. If the Director has not designated a then living beneficiary, distributions and deliveries will be made to the administrator or executor of the Director's estate. Any such administrator or executor must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

5. Withholding of Taxes. The Director agrees that the Company will withhold a portion of the Shares scheduled to be issued pursuant to vested Stock Units that have an aggregate market value sufficient to pay the federal, state and local income, employment and any other applicable taxes required to be withheld by the Company or its designated Affiliate, determined at minimum statutory withholding rates. The Company will only withhold whole Shares and therefore the Director also authorizes deduction without notice from amounts payable to the Director in cash in an amount sufficient to satisfy the Company's remaining tax withholding obligation. Notwithstanding the previous two sentences, the Director, if the Company in its sole discretion so agrees, may elect to furnish to the Company written notice, no more than 30 days and no less than 5 days in advance of the date the vested Stock Units are scheduled to be paid (in accordance with paragraph 3), of his or her intent to satisfy the tax withholding requirement by remitting the full amount of the tax withholding to the Company on this date. In the event that Director provides such written notice and fails to satisfy the tax withholding requirement by the date the vested Stock Units are scheduled to be paid (in accordance with paragraph 3), the Company shall satisfy the tax withholding requirement pursuant to the first two sentences of this section.

6. Rights as Stockholder. Subject to paragraph 7, neither the Director nor any person claiming under or through the Director will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Director. After such issuance, recordation, and delivery, the Director will have all the rights of a stockholder of the Company with respect to such Shares.

7. Dividend Equivalents. The Director shall be entitled to receive Dividend Equivalents paid on Shares underlying the Stock Units. Any Dividends Equivalents automatically shall be deemed reinvested in Stock Units annually on each anniversary after the date of grant or, if earlier, the settlement of the Stock Units (the "Dividend Equivalent Stock Units"). Dividend Equivalent Stock Units shall be subject to the same terms and conditions as the Stock Units, including any deferral election.

8. Section 409A. Notwithstanding anything in the Plan or this Agreement to the contrary, if at the time of the Director's "separation from service" within the meaning of Section 409A, as determined by the Company other than due to the Director's death (x) the Director is a "specified employee" within the meaning of Section 409A at the time of such separation and (y) the payment of any vested Stock Units that become payable as a result of such separation will result in the imposition of additional tax under Section 409A if paid to the Director on or within the six (6) month period following the Director's separation from service, then the payment of such vested Stock Units will not be made until the date six (6) months and one day following the date of the Director's separation from service, subject to paragraph 5, unless the Director dies following his or her separation from service, in which case, the vested Stock Units will be paid in Shares to the Director's estate upon his or her death, subject to paragraph 5. It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Agreement, "Section 409A" means Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

9. No Effect on Service. The transactions contemplated hereunder and the vesting schedule set forth on the first page of this Agreement do not constitute an express or implied promise of continued service for any period of time. The terms of the Director's service shall not be affected by the grant of this award.

10. Address for Notices. Any notice to be given to the Company under the terms of this Agreement must be addressed to the Company, in care of its Legal Department, at The Gap, Inc., Two Folsom, San Francisco, California 94105, or at such other address as the Company may hereafter designate in writing. Any notice to be given to the Director will be addressed to the Director at the address set forth on the records of the Company. Any such notice will be deemed to have been duly given if and when enclosed in a properly sealed envelope, addressed as aforesaid, and deposited, postage prepaid, in a United States post office.

11. Grant is Not Transferable. Except as otherwise expressly provided herein, this grant, and the rights and privileges conferred hereby, may not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and may not be subject to sale under execution, attachment, or similar process. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment, or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

12. Restrictions on Sale of Securities. The Director's sale of Shares acquired pursuant to Stock Units shall be subject to the terms of the Plan and any market blackout-period that may be imposed by the Company and must comply with the Company's insider trading policies, and any other applicable securities laws.

13. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors, and assigns of the Company and the Director.

14. Additional Conditions to Issuance of Certificates for Shares. The Shares deliverable to the Director may be either previously authorized but unissued Shares or issued Shares that have been reacquired by the Company. Solely for purposes of Delaware corporate law, par value for the Shares actually delivered to the Director for the Stock Units will be deemed satisfied by past services rendered by the Director. The Company shall not be required to issue any Shares hereunder so long as the Company reasonably anticipates that such issuance will violate Federal securities law or other applicable law; provided however, that in such event the Company shall issue such Shares at the earliest possible date at which the Company reasonably anticipates that the issuance of the Shares will not cause such violation. For purposes of the previous sentence, any issuance of Shares that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code shall not be treated as a violation of applicable law.

15. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Agreement will have the meaning set forth in the Plan.

16. Committee Authority. The Committee will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Stock Units have vested). All actions taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon the Director, the Company, and all other interested persons. No member of the Committee will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Agreement.

17. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

18. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

19. Modifications to the Agreement. This Agreement constitutes the entire understanding of the Company and the Director on the subjects covered. The Director expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written agreement executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of the Director, to comply with Section 409A of the Code or to otherwise avoid imposition of any additional tax or income recognition under Section 409A of the Code in connection with these Stock Units (including settlement or payment thereof).

20. Amendment, Suspension or Termination of the Plan. By accepting this award, the Director expressly warrants that he or she has received a right to an equity based award under the Plan, and has received, read, and understood a description of the Plan. The Director understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.

21. Notice of Governing Law. This grant of Stock Units shall be governed by, and construed in accordance with, the laws of the State of California without regard to principles of conflict of laws.

22. Unsecured Creditor. This grant of Stock Units represents an unfunded and unsecured promise to pay on behalf of the Company, which means that Director is a general, unsecured creditor of the Company with respect to the Stock Units and the Stock Units are subject to the claims of the Company's creditors. If the Company's assets are insufficient to pay all of its creditors, Director may not receive all or part of the Stock Units.

THE GAP, INC.
[2011/2016] LONG-TERM INCENTIVE PLAN
STOCK UNIT DEFERRAL ELECTION FORM
(ACTION REQUIRED)

Complete and return this Election Form to indicate whether you would like to defer the settlement (payment) of stock units, if any, that may be granted to you under The Gap, Inc. [2011/2016] Long-Term Incentive Plan (the "Plan") in [YEAR] and in future calendar years (the "Stock Unit Grants"). Please note that the Stock Unit Grants are not guaranteed and are subject to approval of the Board of Directors of The Gap, Inc. (the "Board") and your continued service as a director on the Board through the applicable date of grant of such units (the applicable date of grant, the "Date of Grant"). The period of service for each grant shall generally be the period from the applicable Annual Meeting of Shareholders through the Date of Grant. For example, the period of service for the Stock Unit Grant for [YEAR] shall be the period from the [YEAR] Annual Meeting of Shareholders through the Date of Grant.

Absent a different election by you hereunder, the Stock Unit Grants, if any, will become payable as soon as practicable (but not later than 90 days) after the earliest of (i) the date which is three (3) years from the Date of Grant (the "Original Payment Date"), (ii) your separation from service for any reason (within the meaning of Code Section 409A) or (iii) a change in the ownership or effective control of The Gap, Inc. (the "Company"), or in the ownership of a substantial portion of the assets of the Company, each as determined in accordance with Code Section 409A (a "Section 409A Change in Control"); provided, however, that if payment is triggered by your separation from service, payment will not be made until the date that is six (6) months and one (1) day following the date of such separation (or, if earlier, upon your death following such separation) to the extent necessary to comply with Section 409A (the "Default Payment Timing").

I. PERSONAL INFORMATION (Please Print)

Director Name: __ (the "Director")

II. STOCK UNIT DEFERRAL ELECTION (Choose One)

Please note that your election below is an "Evergreen Deferral Election" and applies to the Stock Unit Grant for [YEAR] and for Stock Unit Grants in future calendar years. Your election below with respect to the Stock Unit Grant for [YEAR] will become irrevocable on the Election Deadline (defined below). In [YEAR], you will have the opportunity to change your election applicable to your Stock Unit Grants for [YEAR] and future calendar years.

___ I elect the Default Payment Timing described above.

OR

___ I elect the Default Payment Timing described above except that I elect to substitute the _____ anniversary of the Date of Grant (specify an anniversary of the Date of Grant that is later than the third (3rd) anniversary of the Date of Grant) for the Original Payment Date.

OR

___ I elect to defer the settlement (i.e., payment) of the Stock Unit Grants until the earlier of (i) my separation from service for any reason or (ii) a Section 409A Change in Control, subject to the six (6) month and one (1) day delay described above.

Any amounts deferred will be taxable as ordinary income in the year paid. Please seek advice from your professional tax advisor before making your deferral election.

III. DIRECTOR SIGNATURE

I acknowledge that I have read and reviewed a copy of the Plan's prospectus. If the Company determines that it is required to withhold any taxes, including, but not limited to, income or employment taxes, prior to the date of payout, I agree that, if I do not make other arrangements that are satisfactory to the Committee, in its sole discretion, the Company will withhold from the amounts due to me. I also understand that, upon receipt of payout, in addition to federal taxes, I may owe taxes both (1) to the state where I resided on the Date of Grant or at the time of making this election and, if different, (2) to the state where I reside when I receive payout.

The Committee shall have the discretion to make all determinations and decisions regarding this deferral election. To the extent the Committee determines that this election does not comply with applicable laws, now or in the future, this election shall be null and void.

By signing this Election Form, I authorize implementation of the above instructions. I understand that the deferral elections that I have made on this Election Form may not be changed in the future except in accordance with the requirements of Section 409A and the procedures specified by the Committee.

Please return a signed copy of this Election Form to Marie Ma by email at marie_ma@gap.com or by regular mail to 2 Folsom Street, San Francisco, California 94105 by [DATE] (the "Election Deadline"). If you fail to make an election by the Election Deadline and you have an Evergreen Deferral Election in effect, you will be deemed to have elected to continue your Evergreen Deferral Election at such time. If you fail to make an election by the Election Deadline and you do not have an Evergreen Deferral Election in effect, you will be deemed to have elected the Default Payment Timing for the Stock Unit Grants at such time.

DIRECTOR

Signed: _____ Date: _____

Received by:

THE GAP, INC.

By: _____ Date: _____

Title: _____

[Gap Inc. letterhead]

November 16, 2015

Paul Chapman

Dear Paul:

This letter is to confirm our offer to you as Executive Vice President, Chief Information Officer, Gap Inc.

Salary. Effective on your Start Date, your annual salary will be \$525,000, payable every two weeks. You are scheduled to receive a compensation review in March 2017, based on your time in the position.

Start Date. Your first day in your new position will be December 1, 2015, reporting to Art Peck, Chief Executive Officer, Gap Inc.

Annual Bonus. Based on your position as Executive Vice President, you will be eligible for an annual bonus based on Gap Inc. and/or Division financial objectives (weighted at 75%) and individual performance (weighted at 25%). Effective on your Start Date, your annual target bonus will be 80% of your base salary. Depending on results, your actual bonus, if any, may be higher or lower and can reach a maximum of 160%. Bonus payments will be prorated based on active time in position, divisional or country assignment and changes in base salary or incentive target that may occur during the fiscal year including any changes related to your acceptance of this position. Bonuses for fiscal 2016 are scheduled for payment in March 2017 and you must be employed by Gap Inc. on the payment date. Gap Inc. has the right to modify the program at any time. Management discretion can be used to modify the final award amount. Bonus payments are subject to supplemental income tax withholding.

Special Stock Award. Subject to approval by the Compensation and Management Development Committee of the Board of Directors (the "Committee") and the provisions of Gap Inc.'s stock plan, you will be granted stock awards covering 20,000 shares of Gap Inc. common stock on the date the award is approved by the Committee (the "date of grant"). We anticipate the date of grant will occur in March 2016. Awards are in the form of units that are paid in Gap Inc. stock upon vesting. The award will become vested as shown in the schedule below, provided you are employed by Gap Inc. on the vesting date. Awards are subject to income tax withholding upon vesting.

Stock Award of 10,000 shares vesting two years from date of grant.

Stock Award of 10,000 shares vesting three years from date of grant.

Long-Term Growth Program. Based on your position as Executive Vice President, you will be eligible to participate in the Long-Term Growth Program that rewards achievement of Gap Inc. and/or Division financial objectives over a three year period. You are eligible to participate in the program for the fiscal 2016-2018 performance cycle. Your target opportunity to earn performance shares will be 120% of your base salary. Depending on results, your actual performance shares, if any, may be higher or lower and can reach a maximum of 300% of target shares. Awards are made in the form of performance shares that are paid in Gap Inc. stock upon vesting. The number of earned performance shares, if any, will be determined no later than March 2019. Payout is subject to certification by the Committee and the provisions of Gap Inc.'s stock plan. Earned shares will vest 50% on the date the Committee certifies attainment and 50% one year from the certification date provided you are employed by Gap Inc. on the vesting dates. Gap Inc. has the right to modify the program at any time. Committee discretion can be used to modify the final share amount. Shares are subject to income tax withholding upon vesting.

The Long-Term Growth Program replaces the annual Performance Stock Award Program, which you will no longer be eligible for as of the beginning of fiscal 2016. However, to the extent earned, you will receive a final award under the Performance Stock Award Program in March 2016 for fiscal 2015 performance.

Your performance stock award target remains 75% of base salary for the balance of fiscal 2015.

Termination/Severance. In the event that your employment is involuntarily terminated by the Company for reasons other than For Cause (as defined below) prior to February 13, 2018, the Company will provide you the following after your "separation from service" within the meaning of Section 409A of the Internal Revenue Code (the "Separation from Service"), provided you sign a general release of claims in the form requested by the Company and it becomes effective within 45 calendar days after such Separation from Service (such 45th day, the "Release Deadline"):

(1) Your then current salary, at regular pay cycle intervals, for eighteen months commencing in the first regular pay cycle following the Release Deadline (the "severance period"). Payments will cease if you accept other employment or professional relationship with a competitor of the Company (defined as another company primarily engaged in the apparel design or apparel retail business or any retailer with apparel sales in excess of \$500 million annually), or if you breach your remaining obligations to the Company (e.g., your duty to protect confidential information, agreement not to solicit Company employees). Payments will be reduced by any compensation you receive (as received) during the severance period from other employment or professional relationship with a non-competitor. Each payment will be treated as a separate payment for purposes of Section 409A of the Internal Revenue Code.

(2) Through the end of the period in which you are receiving payments under paragraph (1) above, if you properly elect and maintain COBRA coverage, payment of a portion of your COBRA premium in a method as determined by the Company. This payment may be taxable income to you and subject to tax withholding. Notwithstanding the foregoing, the Company's payment of the monthly COBRA premium shall cease immediately if the Company determines in its discretion that paying such monthly COBRA premium would result in the Company being in violation of, or incurring any fine, penalty, or excise tax under, applicable law (including, without limitation, any penalty imposed for violation of the nondiscrimination requirements under the Patient Protection and Affordable Care Act or guidance issued thereunder).

(3) Through the end of the period in which you are receiving payments under paragraph (1) above, reimbursement for your costs to maintain the same or comparable financial counseling program the Company provides to senior executives in effect at the time of your Separation from Service. The amount of expenses eligible for reimbursement during a calendar year shall not affect the expenses eligible for reimbursement in any other calendar year. Reimbursement shall be made on or before the last day of the calendar year following the calendar year in which the reimbursement is incurred but not later than the end of the second calendar year following the calendar year of your Separation from Service.

(4) Prorated Annual Bonus for the fiscal year in which the termination occurs, on the condition that you have worked at least 3 months of the fiscal year in which you are terminated, based on actual financial results and 100% standard for the individual component. Such bonus will be paid in March of the year following termination at the time Annual Bonuses for the year of termination are paid, but in no event later than the 15th day of the third month following the later of the end of the Company's taxable year or the end of the calendar year in which such termination occurs.

(5) Accelerated vesting (but not settlement) of restricted stock units ("RSUs") and performance shares that remain subject only to time vesting conditions (excluding any performance shares that remain subject to performance-based vesting conditions) scheduled to vest prior to April 1 following the fiscal year of termination. Shares of the Company stock in settlement of any vested RSUs and/or performance shares under this section will be delivered on the applicable regularly scheduled vesting dates subject to the terms and conditions of the applicable award agreement including, without limitation, the Internal Revenue Code Section 409A six-month delay language thereunder to the extent necessary to avoid taxation under Section 409A of the Internal Revenue Code.

The payments in (1), (3), (4) and (5) above are, and the payment described in (2) above may be, taxable income to you and are subject to tax withholding. If the aggregate amount that would be payable to you under paragraphs (1), (2), (3) and (4) above through the date which is six months after your Separation from Service (excluding amounts exempt from Section 409A of the Internal Revenue Code under the short-term deferral rule thereunder or Treas. Reg. Section 1.409A-1(b)(9)(v)) exceeds the limit under Treas. Reg. Section 1.409A-1(b)(9)(iii)(A) and you are a "specified employee" under Treas. Reg. Section 1.409A-1(i) on the date of your Separation from Service, then the excess will be paid to you no earlier than the date which is six months after the date of such separation (or such earlier time permitted under Section 409A(a)(2)(B)(i) of the Internal Revenue Code). This delay will only be imposed to the extent required to avoid the tax for which you would otherwise be liable under Section 409A(a)(1)(B) of the Internal Revenue Code. Any delayed payment instead will be made on the first business day following the expiration of the six month period, as applicable (or such earlier time permitted under Section 409A(a)(2)(B)(i) of the Internal Revenue Code). Payments that are not delayed will be paid in accordance with their terms determined without regard to such delay.

The term "For Cause" shall mean a good faith determination by the Company that your employment be terminated for any of the following reasons: (1) indictment, conviction or admission of any crimes involving theft, fraud or moral turpitude; (2) engaging in gross neglect of duties, including willfully failing or refusing to implement or follow direction of the Company; or (3) breaching Gap Inc.'s policies and procedures, including but not limited to the Code of Business Conduct.

At any time, if you voluntarily resign your employment from Gap Inc. or your employment is terminated For Cause, you will receive no compensation, payment or benefits after your last day of employment. If your employment terminates for any reason, you will not be entitled to any payments, benefits or compensation other than as provided in this letter.

Recoupment Policy. As an Executive Vice President, the Company's recoupment policy will apply to you. Under the current policy, subject to the discretion and approval of the Board, Gap Inc. will, to the extent permitted by governing law, in all appropriate cases as determined by the Board, require reimbursement and/or cancellation of any bonus or other incentive compensation, including stock-based compensation, awarded to an executive officer or other member of the Gap Inc.'s executive leadership team where all of the following factors are present: (a) the award was predicated upon the achievement of certain financial results that were subsequently the subject of a restatement, (b) in the Board's view, the executive engaged in fraud or intentional misconduct that was a substantial contributing cause to the need for the restatement, and (c) a lower award would have been made to the executive based upon the restated financial results. In each such instance, Gap Inc. will seek to recover the individual executive's entire annual bonus or award for the relevant period, plus a reasonable rate of interest.

Abide by Gap Inc. Policies/Protection of Gap Inc. Information. You agree to abide by all Gap Inc. policies including, but not limited to, policies contained in the Code of Business Conduct. As a Corporate Executive Vice President, you are subject to Stock Ownership Requirements for Gap Inc. Executives which can be found on Gapinc.com. You also agree to abide by the Confidentiality and Non-Solicitation terms below during and after your employment with Gap Inc.

Insider Trading Policies. Based on the level of your position, you will be subject to Gap Inc.'s Securities Law Compliance Manual, which among other things places restrictions on your ability to buy and sell Gap Inc. stock and requires you to pre-clear trades. This position will subject you to the requirements of Section 16 of the United States Securities and Exchange Act of 1934, as amended. If you do not already have a copy of the compliance manual, or have questions about it, you should contact Gap Inc. Global Equity Administration, at (415) 427-8478.

Confidentiality. You acknowledge that you will be in a relationship of confidence and trust with Gap Inc. As a result, during your employment with Gap Inc., you will acquire "Confidential Information," which is information (whether in electronic or any other format) that people outside Gap Inc. never see, such as

unannounced product information or designs, business or strategic plans, financial information and organizational charts, and other materials.

You agree that you will keep the Confidential Information in strictest confidence and trust. You will not, without the prior written consent of Gap Inc.'s General Counsel, directly or indirectly use or disclose to any person or entity any Confidential Information, during or after your employment, except as is necessary in the ordinary course of performing your duties while employed by Gap Inc., or if required to be disclosed by order of a court of competent jurisdiction, administrative agency or governmental body, or by subpoena, summons or other legal process, provided that prior to such disclosure, Gap Inc. is given reasonable advance notice of such order and an opportunity to object to such disclosure.

You agree that in the event your employment terminates for any reason, you will immediately deliver to Gap Inc. all company property, including all documents, materials or property of any description, or any reproduction of such materials, containing or pertaining to any Confidential Information.

Non-Solicitation of Employees. In order to protect Confidential Information, you agree that so long as you are employed by Gap Inc., and for a period of one year thereafter, you will not directly or indirectly, on behalf of yourself, any other person or entity, solicit, call upon, recruit, or attempt to solicit any of Gap Inc.'s employees or in any way encourage any Gap Inc. employee to leave their employment with Gap Inc. You further agree that you will not directly or indirectly, on behalf of yourself, any other person or entity, interfere or attempt to interfere with Gap Inc.'s relationship with any person who at any time was an employee, consultant, customer or vendor or otherwise has or had a business relationship with Gap Inc.

Non-disparagement. You agree now, and after your employment with the Gap Inc. terminates not to, directly or indirectly, disparage Gap Inc. in any way or to make negative, derogatory or untrue statements about Gap Inc., its business activities, or any of its directors, managers, officers, employees, affiliates, agents or representatives to any person or entity.

Employment Status. You understand that your employment is "at-will". This means that you do not have a contract of employment for any particular duration or limiting the grounds for your termination in any way. You are free to resign at any time. Similarly, Gap Inc. is free to terminate your employment at any time for any reason. The only way your at-will status can be changed is through a written agreement with Gap Inc., signed by an authorized officer of Gap Inc. In the event that there is any dispute over the terms, enforcement or obligations in this letter, the prevailing party shall be entitled to recover from the other party reasonable attorney fees and costs incurred to enforce any agreements.

Please note that except for those agreements or plans referenced in this letter and attachments, this letter contains the entire understanding of the parties with respect to this offer of employment and supersedes any other agreements, representations or understandings (whether oral or written and whether express or implied) with respect to this offer. Please review and sign this letter. You may keep one original for your personal records.

Paul, welcome to your new position and congratulations on this latest achievement in your career path at Gap Inc.

Yours sincerely,

/s/ Art Peck

Art Peck
Chief Executive Officer, Gap Inc.

Confirmed this 16th day of November, 2015

/s/ Paul Chapman

Ratio of Earnings to Fixed Charges

(\$ in millions except ratios)	Fiscal Year (number of weeks)				
	2015 (52)	2014 (52)	2013 (52)	2012 (53)	2011 (52)
Earnings before income taxes and interest expense	\$ 1,530	\$ 2,088	\$ 2,154	\$ 1,948	\$ 1,443
Less: capitalized interest, net	(8)	(7)	(8)	(6)	(4)
Total fixed charges	533	551	522	675	644
Earnings for calculation	\$ 2,055	\$ 2,632	\$ 2,668	\$ 2,617	\$ 2,083
Fixed charges:					
Gross interest incurred	\$ 59	\$ 75	\$ 61	\$ 87	\$ 74
Interest portion of rent expense (1)	474	476	461	588	570
Total fixed charges	\$ 533	\$ 551	\$ 522	\$ 675	\$ 644
Ratio of earnings to fixed charges	3.9	4.8	5.1	3.9	3.2

(1) The interest portion of rent expense for fiscal 2015, 2014 and 2013 was calculated as 36 percent of rent expense. For all other periods presented, the interest portion of rent expense was calculated as 48 percent of rent expense.

The Gap, Inc.

Subsidiary List as of January 30, 2016

Athleta (ITM) Inc.	California
Athleta LLC	Delaware
Athleta, Inc.	Delaware
Banana Republic (Apparel), LLC	California
Banana Republic (ITM) Inc.	California
Banana Republic (Japan) Y.K.	Tokyo, Japan
Banana Republic, LLC	Delaware
Corporate HQ Support Mexico, S. de R.L. de C.V.	Mexico
Direct Consumer Services, LLC	California
Forth & Towne (Apparel) LLC	California
Forth & Towne (Japan) Y.K.	Tokyo, Japan
Gap (Apparel), LLC	California
Gap (Beijing) Commercial Co., Ltd.	Beijing, China
Gap (Canada) Inc.	Canada
Gap (France) S.A.S.	Paris, France
Gap (Italy) Srl.	Milan, Italy
Gap (ITM) Inc.	California
Gap (Japan) K.K.	Tokyo, Japan
Gap (Netherlands) B.V.	Amsterdam, The Netherlands
Gap (Puerto Rico), Inc.	Puerto Rico
Gap (RHC) B.V.	Amsterdam, The Netherlands
Gap (Shanghai) Commercial Co., Ltd.	Shanghai, China
Gap (UK Holdings) Limited	England and Wales
Gap Europe Limited	England and Wales
Gap International Sales, Inc.	Delaware
Gap International Sourcing (Americas) LLC	California
Gap International Sourcing (California), Inc.	California
Gap International Sourcing (Holdings) Limited	Hong Kong
Gap International Sourcing (India) Private Limited	New Delhi, India
Gap International Sourcing (JV), LLC	California
Gap International Sourcing (Mexico) S.A. de C.V.	Mexico
Gap International Sourcing (U.S.A.) Inc.	California
Gap International Sourcing (Vietnam) Limited Liability Company	Vietnam
Gap International Sourcing Limited	Hong Kong
Gap International Sourcing Pte. Ltd.	Singapore
Gap International Sourcing, Inc.	California
Gap Limited	Hong Kong
Gap Services, Inc.	California
Gap Stores (Ireland) Limited	Dublin, Ireland
Gap Taiwan Limited	Taipei, Taiwan
GPS (Great Britain) Limited	England and Wales
GPS Consumer Direct, Inc.	California

GPS Corporate Facilities, Inc.	California
GPS Import Services, S. de R.L. de C.V.	Mexico
GPS Real Estate, Inc.	California
GPS Services, Inc.	California
GPS Strategic Alliances LLC	Delaware
GPSDC (New York) Inc.	Delaware
Intermix Canada Inc.	New Brunswick
Intermix Holdco Inc.	Delaware
Intermix (ITM) Inc.	California
Old Navy (Apparel), LLC	California
Old Navy (Canada) Inc.	Canada
Old Navy (ITM) Inc.	California
Old Navy (Japan) Y.K.	Tokyo, Japan
Old Navy, LLC	Delaware
ON Stores Mexico, S. de R.L. de C.V.	Mexico
Piperlime (Japan) G.K.	Tokyo, Japan
WCB Twenty-Eight Limited Partnership	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 2-72586, No. 2-60029, No. 33-39089, No. 33-40505, No. 33-54686, 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, No. 333-59292, No. 333-88470, No. 333-90414, No. 333-103128, No. 333-105934, No. 333-129986, No. 333-136295, No. 333-147986, No. 333-151560, No. 333-173146, No. 333-189232, No. 333-192723 and No. 333-200806 on Form S-8, and No. 333-173348 on Form S-3 of our report dated March 21, 2016, relating to the consolidated financial statements of The Gap, Inc. and its subsidiaries (the “Company”) and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the fiscal year ended January 30, 2016.

/s/ Deloitte & Touche LLP

San Francisco, California
March 21, 2016

CERTIFICATIONS

I, Arthur Peck, certify that:

1. I have reviewed this annual report on Form 10-K of The Gap, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 21, 2016

/s/ Arthur Peck

Arthur Peck

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATIONS

I, Sabrina L. Simmons, certify that:

1. I have reviewed this annual report on Form 10-K of The Gap, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 21, 2016

/s/ Sabrina L. Simmons

Sabrina L. Simmons
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of The Gap, Inc. (the "Company") on Form 10-K for the period ended January 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arthur Peck, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Arthur Peck

Arthur Peck

Chief Executive Officer

March 21, 2016

**Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of The Gap, Inc. (the "Company") on Form 10-K for the period ended January 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sabrina L. Simmons, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sabrina L. Simmons

Sabrina L. Simmons
Executive Vice President and Chief Financial Officer
March 21, 2016

