

GAP INC
Form DEFA14A
April 30, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

The Gap, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

The Gap, Inc.

Talking Points relating to Proposal No. 3 Approval of Amendment and Restatement of The Gap, Inc. 1996 Stock Option and Award Plan*

Talking points to be used to solicit proxies from certain investors:

Stock options and other awards such as those provided under the 1996 Stock Option and Award Plan (1996 Plan) are vital to our ability to attract and retain outstanding and highly skilled personnel, especially in the extremely competitive labor markets in which we must compete.

The pool of shares initially reserved for issuance (post-split) under the 1996 Plan has not increased since it was first approved by our shareholders on May 21, 1996.

We currently estimate that following the proposed share increase for the 1996 Plan, the total number of shares reserved for issuance will enable us to grant stock options and other awards to our employees for the next two annual stock option grant cycles.

In planning for the amount to increase, we looked beyond our needs for one year given the administrative costs and effort associated with the increase. Companies typically use this multi-year approach.

Discounted options are selectively used to recruit key positions. Premium priced options are also selectively used in our recruiting efforts.

In fiscal 2002, we granted 14,170,528 stock options and cancelled 23,334,240 stock options (primarily as a result of employment terminations). 19,475,687 stock options were exercised in fiscal 2002. These numbers are disclosed on page 46 of our 2002 Annual Report.

If not for the hiring of a new Chief Executive Officer (see page 19 of our 2003 Proxy Statement) and other senior level positions in fiscal 2002, the total number of stock options granted in fiscal 2002 would have been lower.

A significant number of our outstanding stock options are underwater.

At year end, we had 80,492,169 stock options outstanding.

17,025,924 of those had exercise prices ranging from \$23.89 to \$50.29.

22,104,574 of those had exercise prices ranging from \$14.83 to \$23.86.

21,196,954 of those had exercise prices ranging from \$14.27 to \$14.79.

20,164,717 of those had exercise prices ranging from \$2.85 to \$14.23.

At year end, the weighted average exercise price of all outstanding options was \$20.12.

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These numbers are disclosed on page 47 of our 2002 Annual Report.

The closing price of our stock at the close of business on April 29, 2003 was \$16.67.

*Copies of these talking points will be released to persons making solicitations on our behalf on or about April 30, 2003.