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

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED FEBRUARY 3, 2001

OR

[X] 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 000-21250

THE GYMBOREE CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	94-2615258 (I.R.S. Employer Identification No.)
700 AIRPORT BOULEVARD, SUITE 200, BURLINGAME, CALIFORNIA (Address of principal executive offices)	94010-1912 (Zip Code)

Registrant's telephone number, including area code: (650)-579-0600

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of each exchange on which registered
COMMON STOCK, $0.001 PAR VALUE	NASDAQ NATIONAL MARKET

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE.

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), 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] 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. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of April 30, 2001, was approximately $154,891,761, based upon the last sales price reported for such date on the Nasdaq National Market.

As of April 30, 2001, 22,095,829 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on June 27, 2001 (hereinafter referred to as the "Proxy Statement") is incorporated by reference into Part III.

THE GYMBOREE CORPORATION

TABLE OF CONTENTS

This annual report on Form 10-K contains certain forward-looking statements reflecting our current view of future events and financial performance. Our actual future performance may not meet such expectations. Factors that could cause future performance to vary from current expectations include, but are not limited to, the factors discussed in the "Business" section and in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this annual report on Form 10-K.

PART 1

ITEM 1. BUSINESS

The Gymboree Corporation (Gymboree) is a leading specialty retailer of high quality apparel and accessories for children. Gymboree operates an international chain of stores, primarily in regional shopping malls, and in selected suburban and urban locations.

As of February 3, 2001, Gymboree operated 580 stores, including 528 Gymboree stores in the United States, 20 Gymboree stores in Canada and 32 Gymboree stores in Europe, as well as an online store at www.gymboree.com. Under the GYMBOREE(R) brand name, we design and contract manufacture children's apparel and accessories for sale exclusively by Gymboree. Our products are characterized by child-appropriate, fashionable colors and prints, complex embellishment, comfort, functionality and durability. Gymboree stores offer high-quality apparel and accessories for children ages newborn to seven years. Gymboree also offers directed parent-child developmental play programs for children ages newborn to four years old at more than 439 franchised and corporate-operated locations in the United States and 16 other countries. As of February 3, 2001, Gymboree also operated 19 Zutopia stores, pending sale to The Wet Seal, Inc. Effective March 25, 2001, Gymboree sold 18 of the Zutopia stores to The Wet Seal, Inc. and closed one store. For a discussion of the Zutopia business and its sale, please refer to the "Zutopia" section on page 12.

Gymboree was organized in October, 1979, as a California corporation, and re-incorporated in Delaware in June, 1992.

BUSINESS STRATEGY

The business strategy for Gymboree stores consists of the following principal elements:

- *High Quality Apparel*: We strive to offer our customers high quality apparel with an excellent price/value relationship. We design the merchandise to be comfortable, functional, safe and durable by placing particular emphasis on high quality fabrics and detailed garment construction.

- *Brand Name Recognition*: Gymboree has developed a clearly recognizable brand image, translating to "good things for children." This image was initially built through our Play & Music Programs, a quality experience in the lives of young families, which was the original business of Gymboree. Customers associate shopping at Gymboree with unique, high quality, appealing, colorful children's clothing and accessories sold in an attractive and friendly environment.

- *Integrated Operations*: Design, Contract Production and Retailing. We believe that the vertical integration of our operations enables us to identify and respond to market trends, maintain rigorous product quality standards and closely monitor the distribution of our products.

- *Exclusive Distribution Channels*: During 2000, our products were sold through Gymboree retail stores, the Gymboree on-line store (www.gymboree.com) and, to a limited extent, through our Play & Music sites. From time to time, we may liquidate inventory through other channels.

- Responsive Customer Service: Customer service and satisfaction are defining features of the Gymboree corporate culture. Assisting customers in merchandise selection and outfit coordination is the top priority of Gymboree team members. We believe that this customer service in combination with our merchandise encourages multiple item purchases per customer.

MERCHANDISING PHILOSOPHY

Historically, Gymboree's merchandise focus has contained the following key elements:

1. Items are designed utilizing classic silhouettes, bright colors and predominately cotton knit fabrics, in the context of coordinating outfits intended to incent multiple unit purchases by customers.

2. Outfits are developed within the context of lines that are delivered on a monthly basis.

3. Gymboree follows a policy of buying inventory at levels intended to meet demand for full price selling and markdown sales, and follows a strict markdown policy based on time in store, to ensure appropriate markdown clearance demand to make way for the upcoming delivery.

4. Lines are merchandised in-store in their entirety, at both full price and at first markdown price. Subsequent markdown items are normally housed without regard to line integrity.

During 1999, in an attempt to expand the customer base by changing our merchandise focus, we embarked on a re-merchandising strategy. To facilitate this re-merchandising, among several other steps, we changed our store interiors by removing display fixtures (the "pediments"), introduced a new trademark, and took a one-time special charge. The specifics of the re-merchandising were:

1. Changing the fashion direction of our goods to be more innovative, diverse, and modern. Among the fashion changes was the decision to move away from outfit dressing into a "separates" offering, and to include a broader palette of color and more fabric diversity.

2. Items were developed in the context of classifications (e.g., sweaters, woven pants, hats) and delivery was altered from discrete lines on a planned basis to ongoing flow of items as received. Each of these moves was designed to maintain freshness of product offering at store levels.

3. Inventory levels were set with the strategy being creation of scarcity value and reduction of markdown sales in order to build margin rates on total sales. Items were marked down based on performance and housed in store according to price point.

4. Changing the way merchandise is displayed in our stores, from coordinated items displayed near each other to classification display (e.g., all girls' sweaters near each other or all boys' pants in one area of the store).

Because the results of the re-merchandising strategy fell well below our expectations, in February 2000 we announced several changes to the re-merchandising strategy, essentially to reinstate the historical strategies while integrating any benefits which flowed from the re-merchandising, including the new trademark, remodeled store interiors, and some level of updated fashions. The changes are part of an effort to regain our core customers and re-establish our core business, offering child-appropriate outfit dressing, with the recognition that some markdown sales are profitable and necessary to drive sales volume.

STORE MANAGEMENT STRATEGY

Our first priority is to improve the productivity of our existing store base by increasing sales, improving inventory flow and optimizing the allocation of product. In addition, Gymboree seeks strategically to manage our current store portfolio by expanding the size of high-performing stores, opening new stores in major metropolitan malls, certain secondary regional malls and in select downtown street locations that satisfy certain demographic and financial return criteria, and closing under-performing stores. In fiscal 2000, Gymboree opened 9 new stores (seven in the U.S., one in Canada, one in Europe), relocated and/or expanded 6 existing Gymboree stores, and closed 15 Gymboree stores. The average size of new stores opened during 2000 was approximately 1,900 square feet. During fiscal 2001, we plan to relocate and expand 10-15 stores, open up to 10 stores and close approximately 10 stores. Included in our 2001 new store openings are approximately three stores in Canada. Our ability to continue to expand the number of stores successfully in the future will depend on a number of factors, including the availability of suitable store locations, the negotiation of acceptable lease terms, our financial resources and the ability to control the operational aspects of this growth.

Gymboree expanded from two Gymboree stores in California in 1986 to 599 Gymboree and Zutopia stores, including 547 stores in 50 states and the District of Columbia, 20 stores in Canada and 32 stores in Europe, as of February 3, 2001. The following table sets forth, by geographic region, the net number of stores opened and closed during each of the periods indicated.

Less than 10% of Gymboree's revenues come from and less than 10% of Gymboree's long-lived assets are located outside the United States.

	Fiscal Year								
	Prior to 1994	1994	1995	1996	1997	1998	1999	2000	Total
East	52	14	14	17	23	30	6	(5)	151
Midwest	26	12	19	25	10	24	1	0	117
South	25	23	26	12	29	39	4	(3)	155
West	49	8	11	16	7	14	0	0	105
Europe	0	0	0	0	6	18	7	1	32
Canada	0	0	0	5	6	4	4	1	20
Gymboree	152	57	70	75	81	129	22	(6)	580
Zutopia	0	0	0	0	0	0	19	0	19

Total	152	57	70	75	81	129	41	(6)	599

Site Selection. In selecting new store sites, Gymboree typically looks for high traffic locations ranging from 1,500 to 3,000 square feet in regional malls, specialty centers and suburban main street locations. Our real estate process includes extensive analysis of potential store sites and bases its selection on the performance of other specialty retail tenants, size of the market and demographics of the surrounding area. In evaluating a store location, placement of the store relative to retail traffic patterns and the number of children in the trade area are important considerations. Although our current stores are located primarily in regional malls, we have opened stores in alternative locations. In addition, we plan to relocate some higher volume stores within the same malls where we anticipate receiving a competitive advantage. There can be no assurance that Gymboree will continue to be successful in either obtaining favorable sites for our new stores or negotiating favorable lease terms for such sites.

PRODUCTS AND MERCHANDISING

Gymboree's merchandise has evolved significantly over time. Prior to 1988, Gymboree offered unisex apparel for children ages six months to five years and a selection of non-apparel products, including toys. Since 1989, we have broadened our apparel merchandise assortment by developing separate big boys', big girls', baby boys', baby girls' and newborn lines, and by distinguishing assortments to be age-appropriate for children from newborn to seven years old, all under the Gymboree label. Gymboree currently offers customers an assortment of high quality, comfortable, coordinated lines of GYMBOREE(R) brand apparel and accessories, consisting primarily of pants, tops, overalls, dresses, socks, hats, crib shoes, swimwear, sweaters, outerwear, underwear, bodysuits, blankets and shoes. Our merchandising strategy focuses upon the quality and design of the apparel products and planned introduction of new product lines, along with a steady supply of fashion basics in seasonal colors and designs intended to satisfy customers' needs for woven overalls, knit leggings, shorts and pants, tee-shirts and bodysuits for babies. Gymboree strives to create a distinctive look for its merchandise to enhance brand recognition and stimulate repeat purchases. Except for fashion basics, Gymboree apparel is designed, manufactured, purchased and merchandised by line.

Each of Gymboree's stores features 10 - 13 major fashion merchandise lines per year. Each merchandise line generally consists of approximately 45 clothing items, encompassing matching tops and bottoms, with coordinated color palettes, patterns and designs. Additionally, each line features a wide selection of related accessories that complement the apparel, such as coordinated socks, hats, shoes and hair accessories. In order to maintain the freshness of its merchandise, Gymboree regularly updates the assortments by rotating each line on an 11- to 13-week selling cycle. Although Gymboree generally is unable to reorder items after a line has been purchased, we carefully monitor the rotation schedule, and we have the ability to move up the set-up of new lines based on selling demand. Merchandise in each line generally flows through a structured markdown process.

The coordinated line deliveries are complemented by accompanying deliveries of basic merchandise. These items are intended to coordinate with several lines on a seasonal basis, and are generally less embellished and priced lower than the fashion offerings. The amount of any given delivery that is composed of basics varies by department. The basics are intended to mitigate fashion risk, augment fashion purchases, and deliver gross margin dollars to Gymboree.

Gymboree's presentation maximizes customer convenience in selection, by displaying outfits on mannequins and placing featured items in easily-found, nearby displays. Our visual merchandising effort creates an attractive selling environment and assists team members in the process of wardrobing, which, we believe, stimulates purchases of multiple matching items. Merchandise is displayed by department (big boy, big girl, baby boy, baby girl, newborn), in separate areas of the stores. Also, accessories are shown within each department, and seasonal "capsules" are displayed in various areas. These capsules may include special seasonal merchandise (themed 4th of July items, swim wear, rain wear, etc.) The front table in each store displays an assortment of items from all departments, and serves to feature a given segment of the product offering (pajamas for Christmas, Valentine's day items, etc.). A typical store offers approximately 200 to 250 styles of apparel and approximately 100 to 120 accessories and other non-apparel items. Gymboree stores generally do not have dressing rooms.

DESIGN, SOURCING AND CONTRACT MANUFACTURING

Gymboree apparel is characterized by distinctive designs, quality fabrications and construction and an excellent price/value relationship. Gymboree sources high-quality, comfortable and durable fabrics. Our merchandising and design team creates unique color combinations and original patterns for these fabrics and emphasizes durability, functionality and special detailing.

Gymboree manages the production of apparel from the initial product concept, through color and pattern design, fabric development and testing, sample approval and testing and garment manufacturing. We believe that the vertical integration of operations and the coordinated efforts of our merchandising and design, production, and planning teams enable Gymboree to create distinctive offerings and control quality. The merchandising and design team determines the styles for merchandise based on an evaluation of current style trends as well as a review of the popularity of the prior year's products. This team works closely with Gymboree's merchandise planning team to select garment styles for each season. In conjunction with foreign buying agents, the production team arranges fabric sourcing and garment production while the quality team ensures that the final products satisfy Gymboree's detailed specifications and strict quality and safety standards. The process from initial product concept/design to receipt of finished product requires approximately nine months for fashion collections, somewhat less time for basic items. Fabric and production commitments are made approximately five months before receipt of the finished garments at our distribution center.

Throughout the design process, Gymboree's merchandise team prepares financial forecasts for each line of clothing on an item-by-item basis. Certain proposed items in a line may be revised or replaced as a result of this team's financial analysis. This team also monitors inventories on a daily basis, prepares seasonal plans and develops unit production forecasts.

The majority of Gymboree apparel is manufactured to our specifications by approximately 200 independent manufacturers. Key countries in the Far East include China, Indonesia, Macao, Taiwan, and Thailand. Other manufacturing regions include Central America, Mexico, South America and the United States. Gymboree sources its fabric from approximately 20 vendors. Gymboree purchases all products in U.S. dollars, and we have not historically experienced any material difficulties as a result of any foreign political, economic or social instabilities, although there can be no assurance that we will not experience such difficulties in the future. We have no long-term contracts with suppliers and typically transact business on an order-by-order basis.

Gymboree's quality control team arranges with independent testing laboratories to test fabrics prior to cutting against established performance standards for quality and safety. During the prototype sampling stage and following manufacturing, the technical teams subject the merchandise to tests, which ensure that construction, workmanship and fit, as well as the style and appearance of the garments, satisfy Gymboree's stringent specifications. Subsequently, the production and quality control teams review the garment test and bulk production inspection results to verify that the quality is consistent with Gymboree's high standards. Gymboree generally does not purchase its finished apparel products until manufacturing has been completed and the products have been approved by independent testing labs and Gymboree's quality control and production teams.

Gymboree engages factories that agree to our Terms of Vendor Engagement, which require compliance with local laws and, whether or not permitted by local law, require the factories not to employ child or forced, prison or indentured labor. Gymboree personnel make periodic visits to factories and retain a social compliance firm to conduct random audits of factories, including payroll practices and worker living conditions. In the event that we become aware of a significant violation of our Terms of Vendor Engagement, we will take action including, when we deem it appropriate, the ceasing of business with the effected factory.

STORE OPERATIONS

The primary objective of store management is to maximize sales by providing superior customer service. Store management is principally responsible for sales training and implementing performance evaluation systems. In a continuing effort to minimize sales personnel time away from customers, operational procedures are reviewed and streamlined by the store operations team prior to implementation at the store level. This team is also responsible for field and store staffing, daily sales motivation and central office-to-store communications. Our merchandising team also interacts with store personnel and is responsible for developing merchandise presentation plans that can be effectively implemented at the store level. Merchant-store communication is an important avenue for matching merchandise with customer desires communicated from customers through store personnel directly to merchants.

Gymboree North American store operations are managed by seven Regional Business Directors through 56 operating districts. Each District Sales Manager is responsible for approximately 8-10 stores. Store staffing levels vary with store volume. During the holiday selling season, store personnel levels are substantially increased to accommodate peak traffic levels. The 32 stores in Europe constitute one region, which is divided into three districts with similar team member staffing as in North America.

A number of programs offer incentives to store personnel. Sales associates receive compensation primarily in the form of hourly wages. Incentive structures are designed to maximize store contribution and comparable sales growth. Scheduling procedures allocate payroll hours to stores based upon sales performance rather than simple availability. Regional Business Directors and District Managers receive compensation in the form of salaries, performance-based bonuses and stock options.

CUSTOMER SERVICE

Customer service is a defining feature of the Gymboree corporate culture. We believe that knowledgeable and enthusiastic store personnel have a direct impact on profitability. Gymboree places great emphasis on the selling function through consistent and on-going training and evaluation systems which are initiated by the central office and administered by field management at all levels. Our store managers spend most of their time on the sales floor assisting customers and coaching their selling teams. District Managers spend the majority of their work week on selling floors, providing leadership by inspecting the total customer experience throughout their district. Regional Business Directors develop and execute business plans and are responsible for achieving plan numbers for their regions.

Customer service is a high priority for Gymboree. Our customer focus is emphasized in recruiting and, as measured by sales, is the primary component in the on-going evaluation of personnel performance. We minimize sales associates' time spent on administrative functions by centrally determining merchandise display and replenishment, markdowns and basic labor scheduling. By emphasizing friendliness, product knowledge and personal attention, we believe that Gymboree has established a reputation for excellent customer service.

STORE ENVIRONMENT

Gymboree stores are designed to create an energetic and enjoyable shopping environment. The brightly lit stores and glass store-fronts allow the colorful in-store environments to attract customers from the outside. Stores are constructed in an open manner which enables customers to see virtually all product offerings from the store's entrance.

During 2000, a new storefront sign was introduced, which matches our updated logo and trademark. The new signage was applied to approximately 170 stores. The remainder of the stores will receive the new sign before the end of 2002. The storefront appearance is modified when the new signage is added, and features a cleaner, updated look versus our former natural wood arches supported by giant children's building blocks and brightly colored "dancing" letters. The sign change results in updating our look while at the same time attracting customer attention and inviting customers to enter. Gymboree believes creating a uniform trademark presentation is important, from storefront to packaging, hang tags and labels inside product.

Inside Gymboree stores, merchandise is displayed on a front table display stand, mannequins, fixtures, and store walls by department in coordinated outfits, which allows easy accessibility and provides ample floor space for customers to maneuver strollers within the store. In 2000, we introduced new store fixtures to a small number of our stores, and we plan to roll out the new fixtures to approximately 80 additional stores during 2001. The new fixtures are characterized by wooden pillar display units, which permit fungible division of departments, use of hanging art to brighten store interiors, and changeable displays of small clothing items and accessories. While parents shop in Gymboree stores, children are encouraged to play with small toys placed throughout the store for this purpose, and to enjoy Gymboree videos which run continuously throughout the day on screens set at a child's eye level.

MARKETING AND PROMOTION

Whereas Gymboree previously relied primarily on word of mouth advertising, during 2000 we considered expanding the effort. Our goal in all marketing activities is to expand our customer base. Various techniques were tested and implemented. During 2000, we began a partnership with Growing Families, an organization mailing promotional materials to parents of new babies through use of hospital name lists. Each such mailing contains a promotional piece for Gymboree stores and Play & Music Programs, variously offering 20% off full-price merchandise purchases, a free class session at a Play & Music Program, or other incentives. We conducted direct mail campaigns and provided "bag stuffer" bounce back coupons to customers who made purchases during the year, and we plan to continue with these types of campaigns in the future. During the back-to-school and winter holiday shopping periods, Gymboree tested television advertising in three major markets, resulting in measurable improvements in traffic in these markets. We will consider television advertising again, though no plans are in place to undertake such campaigns at this time. Looking forward, we may undertake print and other electronic advertising, in-store events and planned promotions, cross-promotional opportunities, direct mail and organized telephone campaigns. We also believe that creating synergy between the stores and Play & Music Programs may help fuel effective marketing, advertising and promotional efforts.

ELECTRONIC COMMERCE

Gymboree launched its first web site at www.gymboree.com during fiscal 1997 and has continued to upgrade the technology, operations and merchandise offerings. This web site offers for sale Gymboree merchandise for children between the ages of newborn and seven years old. During 2000, our entire product offering was available through the on-line store. We will continue to develop our web presence for corporate identification and expansion of sales.

MERCHANDISE DISTRIBUTION

Gymboree's merchandise is shipped primarily via ocean carriers from foreign ports to ports in the U.S., Canada and Ireland. From there it is delivered to our distribution centers located in Dixon, California, (for U.S. stores), to Toronto, Ontario, (for Canadian stores), and to Shannon, Ireland (for European stores). Contract manufacturers or vendors are required to complete manufacturing and deliver merchandise to our foreign consolidator within a designated shipping window. This shipping window ensures timely delivery of the product to Gymboree's U.S., Canadian and Irish distribution centers using cost-effective ocean transportation.

Our transportation department coordinates the transportation of all purchase orders and monitors the timeliness of these shipments. Customs clearance takes place upon entry of goods to the U.S., Canada and Ireland. Samples of all items are reviewed by U.S. or local customs agents prior to the actual shipment of merchandise. This process reduces the customs clearance time and speeds the delivery of the merchandise to Gymboree.

Our U.S. merchandise is received, checked, processed and distributed through our U.S. distribution center in Dixon, California. This distribution center is a Gymboree-owned 300,000 square foot facility, which opened in January, 1998. New lines are received at the distribution center approximately three to four weeks before the intended in-store date. The merchandise is processed, packed by store and delivered on a targeted in-store date approximately once per month. Merchandise is periodically replenished based on store sell-through. Merchandise for distribution to Europe is shipped directly from the factory to a 26,000 square foot leased facility in Shannon, Ireland, where it is processed for delivery to the stores. Merchandise destined for Canadian stores is shipped directly to a third-party distribution center in Toronto, Canada.

Outbound transportation is also coordinated by our transportation team. During 2000, store orders were consolidated by region and shipped via truckload carriers into the downstream terminals of regional less-than-truckload carriers, allowing Gymboree to build full trailers, thereby reducing the delivery cost per unit.

MANAGEMENT INFORMATION SYSTEMS

Gymboree's information systems provide integration of store, merchandising, distribution and financial systems. These systems operate on Unix and NT platforms. Gymboree also outsources technological support, including the point-of-sale help desk, network administration and computer operations. Sales and other inventory management information are updated daily in the merchandise reporting systems by communicating with each store's point-of-sale system. Gymboree evaluates information obtained through daily reporting to supplement merchandising decisions regarding replenishments, markdowns and allocation of merchandise.

Gymboree believes that our information systems are essential in achieving our growth plans and maintaining a competitive industry position. We are committed to utilizing technology as a competitive advantage.

PLAY & MUSIC PROGRAMS

As of February 3, 2001, Gymboree's Play & Music Programs included 29 Company-operated play centers in California and 410 franchisee-operated play centers, of which approximately 70% are located in the United States, and the remaining 30% are located in other countries, including Australia, Canada, France, Korea, Malaysia, Mexico, Singapore, and Taiwan. In addition to generating income, we believe that the Play & Music Programs provide attractive cross-marketing opportunities for Gymboree stores and further strengthen the GYMBOREE(R) brand name recognition with retail customers. See "Marketing and Promotion."

The Gymboree Play & Music Programs are designed to enhance early childhood development through fun-filled sensory and motor activities, which engage children through sight, touch, sound and movement. Motor skill development is stimulated through physical play and exercise in an exciting, safe environment which includes proprietary, developmentally appropriate play equipment. The Gymboree Play & Music Programs involve weekly 45-minute classes offered throughout the year. Classes are designed to interest and challenge children through activities that are tailored to enhance mental and physical development as well as to provide opportunities for socializing. In addition to sliding, climbing, jumping and running, classes include music, structured play activities, games and often a finale featuring a colorful parachute, songs, bubbles and GYMBO(R) the clown. At least one parent or caregiver accompanies each child and participates in the activities with their children.

Gymboree classes are offered to children aged newborn to four years old. GymBabies (for ages newborn to six months) introduce sensory play with special props and equipment. GymCrawlers (six to 12 months) develop upper-body stability, strength and coordination. GymWalkers (10 to 18 months) emphasize pre-walking and early walking skills and enhance strength, socialization, walking, balance and coordination. GymRunners (14 to 28 months) encourage exploration and build motor skills. GymExplorers (for two year olds) explore movement, stories, puppetry and songs. GymKids (three year olds) learn non-competitive skills like catching, throwing, kicking and tumbling. GymPairs classes are designed for parents with two mobile children; activities are modified to serve the needs of each participant. The Music curriculum was introduced in 1999 for children from 16 months through four years old. These courses cover various musical styles, instruments, rhythm and dance movement.

Gymboree's standard franchise agreement provides for an initial term of 10 years. Upon signing the franchise agreement, each domestic and Canadian franchisee currently pays an initial fee ranging from $35,000 for the franchisee's first play center location to $20,000 for the fourth (and each subsequent) location. Each international (excluding Canadian) franchisee pays an initial fee ranging from $100,000 to $1,000,000, depending on the franchise area for a Master Franchise and receives the right to sub-franchise sites. Gymboree receives up to 20% of the fees paid by sub-franchisee's to the Master Franchisee. Both domestic and international franchises are renewable for one additional 10-year term, and Gymboree receives no fee upon the renewal of the franchise from domestic franchisees. Gymboree receives a royalty of 6% of each domestic franchisee's gross receipts from operations, and a fee of approximately $10,500 upon the transfer of a franchise from one domestic franchisee to another. Currently, Gymboree supplies the franchisees with program aids, equipment and consumer products at a cost to the franchisee and conducts initial and ongoing training programs.

Gymboree will continue offering franchises for sale in fiscal 2001.

TRADEMARKS AND SERVICE MARKS

Gymboree is the owner in the United States of the trademarks and service marks "GYMBOREE" and the trademarks "GYMBO" and "GYMBABY" among others. These marks and certain other of Gymboree's marks are registered in the United States Patent and Trademark Office, and the mark "GYMBOREE" is also registered, or is the subject of pending applications, in approximately 45 foreign countries. Each federal registration is renewable indefinitely if the mark is still in use at the time of renewal. Gymboree's rights in the "GYMBOREE" mark and other marks are a significant part of the business. Accordingly, we intend to maintain the mark and the related registrations. Gymboree is not aware of any material claims of infringement or other challenges to our right to use the mark in the United States.

Gymboree uses a number of trademarks, certain of which have been registered with the United States Patent and Trademark Office and in certain foreign countries. We believe that our registered and common law trademarks have significant value and that some of our trademarks are instrumental to our ability to create and sustain demand for and market our products.

ZUTOPIA

Gymboree launched the Zutopia concept in 1999. During fiscal 2000, Gymboree decided to focus its efforts on expanding the core Gymboree brand and, accordingly, entered into an agreement with The Wet Seal, Inc. to sell the 19-store Zutopia chain. Under the agreement, substantially all the assets of the Zutopia stores, along with the trademark and the rights to the Internet site www.Zutopia.com, were transferred to The Wet Seal, Inc. as of March 25, 2001. In addition, The Wet Seal, Inc. assumed all rights and obligations of the leases of 18 of the 19 stores. The remaining store was closed. As a result of the sale, Gymboree recognized a loss of $5.0 million in the fourth quarter of fiscal 2000, which includes a loss on the sale of property and equipment, a reserve for inventory and an accrual for legal fees and severance that will be incurred as a result of the sale.

Effective March 25, 2001, the Zutopia stores began operations under the management of The Wet Seal, Inc.

FACTORS THAT MAY AFFECT FUTURE PERFORMANCE

The discussion in this 10-K report contains certain forward-looking statements, including statements regarding planned capital expenditures, planned store openings, expansions and renovations, future cash generated from operations and future cash needs. Such forward-looking statements, in particular, and Gymboree's business and operating results, in general, involve risks and uncertainties. Actual results may differ significantly from the results discussed in the forward-looking statements due to a number of factors, many of which are beyond our control. The following discussion highlights some of these factors and the possible impact of these factors on future results of operations. Given these factors, we cannot assure you that we will be able to effectively continue and strengthen our operations.

We have experienced net losses in recent periods and, if such losses continue in the future, we may need to obtain additional capital to continue our operations.

We incurred net losses of $36.9 and $10.6 million in our fiscal year 2000 and 1999, respectively. There can be no assurance that losses will not continue in the future. If losses do continue to occur, we will likely need to obtain additional capital to continue our operations.

We must maintain a minimum collateral base to secure our existing credit facility, which is necessary for cash borrowings and letters of credit.

The amount of our credit facility for cash borrowings and letters of credit needed for the purchase of new inventory is limited to our available collateral. Our existing credit facility fluctuates relative to our collateral base, which includes our inventory, cash and other assets. This collateral base varies in value as a result of sales, merchandise purchases and profitability. Lack of short-term liquidity, due to reaching the limit of our collateral base, could force us into seeking alternative financing or court protection from our creditors.

We may need additional capital to pursue our future business plans.

Our growth strategies may require additional capital, should our operations generate insufficient cash flow to expand our business. For example, we may need additional capital to update store exteriors and interiors, broaden existing product lines and introduce new products and concepts. To pursue this prospective business plan, we will need to fund operations and invest in capital projects. There can be no assurance that either internally generated cash will be available, or that debt or equity will be available to Gymboree on terms that

are satisfactory. In addition, under the terms of our existing credit facility, we will likely need the consent of our bank lenders before incurring additional indebtedness, and there can be no guarantee that our lenders will permit us to incur new debt on terms that we otherwise find satisfactory. Also, to the extent that we raise additional capital by issuing equity, a dilutive effect to existing stockholders will likely result.

We may not be able to operate successfully if we lose key personnel, are unable to hire qualified additional personnel, or experience turnover of our management team.

The continued success of Gymboree is largely dependent on the personal efforts and abilities of our senior management and certain other key personnel and on our ability to retain current management and to attract and retain qualified key personnel in the future. Also, because customer service is a defining feature of the Gymboree corporate culture, we must be able to hire and train qualified sales associates to succeed. The loss of certain key employees, Gymboree's inability to attract and retain other qualified key employees or a labor shortage that reduces the pool of qualified sales associates could have a material adverse effect on our growth, our operations and our financial position. Furthermore, we have experienced significant turnover of our management team in recent years, and several members of our key management team have only recently joined us or have been promoted to executive positions for the first time. For example, our current chief executive officer was appointed in February 2001, and our chief operating officer joined Gymboree in March 2001. In addition to performing their regular duties, our new managers must spend a significant amount of time devising strategies to execute our business model. If they are unable to effectively integrate themselves into our business, to work together as a management team or to master their new roles in a timely manner, our business will suffer.

Our business is sensitive to economic conditions that impact consumer spending.

Gymboree's financial performance is sensitive to changes in overall economic conditions that impact consumer spending, particularly discretionary spending. Future economic conditions affecting disposable consumer income such as employment levels, business conditions, interest rates and tax rates could reduce consumer spending or cause consumers to shift their spending to other products. A general reduction in the level of discretionary spending or shifts in consumer discretionary spending to other products could adversely affect our growth, net sales and profitability.

Our business is sensitive to changes in seasonal consumer spending patterns that are beyond our control.

Historically, a disproportionate amount of our retail sales and a significant portion of our net income have been realized during the months of November and December, during the holiday season. We have also experienced periods of increased sales activity in the early spring, during the period leading up to the Easter holiday, and in the early fall, in connection with back-to-school sales. Changes in seasonal consumer spending patterns for reasons beyond our control could result in lower-than-expected sales during these periods. Such a circumstance could cause us to have excess inventory, necessitating mark-downs to minimize this excess, which would reduce our profitability. Any failure by us to meet our business plans for, in particular, the third and fourth quarter of any fiscal year would have a material adverse effect on our earnings, which in all likelihood would not be offset by satisfactory results achieved in other quarters of the same fiscal year. Also, because Gymboree typically spends more in labor costs during the holiday season, hiring temporary store employees in anticipation of holiday spending, a shortfall in expected sales during that period could result in a disproportionate decrease in our net income.

We have reinstated our historical merchandising strategy and cannot guarantee its success.

During 1999, in an attempt to expand the customer base by changing our merchandise focus, we embarked on a re-merchandising strategy in which we changed the look of our product offerings, delivery cadence and several other attributes of our business. Because the results of the re-merchandising strategy fell well below our expectations, in February 2000 we reinstated our historical strategies and integrated any benefits that flowed from the re-merchandising, including a new trademark. There can be no guarantee that our historical merchandising strategies will produce results similar to historic trends, or that we will be successful in regaining and retaining our core customers and in re-establishing our core business.

We may not be able to fully utilize our federal and state net operating loss carryforwards prior to their expiration.

Gymboree has federal and state net operating loss carryforwards which for financial reporting purposes are reported as a deferred tax asset. These net operating losses will expire between 2003 and 2020. The full realization of these losses is dependent upon Gymboree generating federal and state taxable income in such amounts and at such times that the net operating loss carryforwards can be fully utilized. However, there is no guarantee that Gymboree will generate the necessary amount of taxable income in the appropriate tax periods to realize the full tax benefit of these prior losses. It is possible that all or a portion of the value of such tax benefit (and the corresponding deferred tax asset) will be lost.

Because we purchase and sell our products internationally, our business is sensitive to foreign risks associated with international business.

Gymboree's products are currently manufactured to specifications by independent factories located primarily in Asia, as well as the Middle East, Central America, South America, Mexico and the United States. In addition to Gymboree's reliance on foreign manufacturers, Gymboree has store and distribution operations in Europe and Canada. As a result, our business is subject to the risks generally associated with doing business abroad, such as foreign governmental regulations, foreign consumer preferences, currency fluctuations, natural disasters, social or political unrest, disruptions or delays in shipments or customs clearance, local business practices and changes in economic conditions in countries in which our suppliers or stores are located. Gymboree cannot predict the effect of such factors on our business relationships with foreign suppliers nor on our ability to sell our products in international markets. If any such factors were to render the conduct of business in a particular country undesirable or impractical, or if our current foreign manufacturing sources or mills were to cease doing business with us for any reason, there could be a material and adverse effect on Gymboree's results of operations and financial position.

We may not be able to maintain sufficient inventory levels if our independent manufacturers fail to provide the required production capacity.

Gymboree currently relies on unaffiliated manufacturers to produce substantially all of our products, with whom we have no long-term contracts and from whom we typically purchase goods on an order-by-order basis. Many of our unaffiliated manufacturers produce goods for other companies, with which we compete for production facilities and import quota capacity. If Gymboree experiences significant increased demand, which cannot be foreseen, or in the event any of our key manufacturers is unable or unwilling to continue to manufacture Gymboree's products, Gymboree may not be able to obtain sufficient capacity from our other current manufacturing sources or to identify and qualify new unaffiliated sources in a timely manner. Any significant delay in our ability to obtain adequate supplies of products from our current or alternative sources would materially and adversely affect the business and operating results.

Our results may be impaired by changes in fashion trends and consumer preferences.

Gymboree's sales and profitability depend upon the continued demand by customers for our apparel and accessories. We believe that our success depends in large part upon our ability to anticipate, gauge and respond in a timely manner to changing consumer demands and fashion trends and upon the appeal of our products. There can be no assurance that the demand for Gymboree's apparel or accessories will not decline or that we will be able to anticipate, gauge and respond to changes in fashion trends. If demand for our apparel and accessories were to decline or if we were to misjudge fashion trends, Gymboree's business, financial condition and results of operations could be materially adversely affected

We cannot maintain and grow our sales and profitability without the continued development of new products.

Gymboree's continued growth and success depend in large part on our ability to successfully develop and introduce new products that are perceived to represent an improvement in style, functionality or value compared to products available in the marketplace. Failure to regularly develop and introduce new products successfully could materially and adversely impact future growth and profitability. In addition, in the future Gymboree may introduce certain new products and concepts that may represent a shift in concept, design and target market demographics from our traditional products. These new products may have shorter life cycles, thereby requiring more frequent product introductions than Gymboree's traditional product lines. Furthermore, these products and the introduction of more products could dilute Gymboree's image as a leading supplier of quality children's apparel in the newborn-to-seven age range and lead to a reduced demand for our existing products.

The highly competitive business in which we operate may impair our ability to maintain and grow our sales and results.

The children's apparel segment of the specialty retail business is highly competitive, and we may not be able to compete successfully in the future. Gymboree competes on a national level with BabyGap and GapKids (divisions of The Gap, Inc.), The Children's Place and Talbots Kids and certain leading department stores as well as certain discount retail chains such as Old Navy (a division of The Gap, Inc.) Kids 'R'Us (a division of Toys 'R'Us, Inc.) and Target. Gymboree also competes with a wide variety of local and regional specialty stores and with certain other retail chains. We also compete with children's retailers that sell their products by mail order or over the Internet. Many of these competitors are larger and have substantially greater financial, marketing and other resources than Gymboree. Increased competition may reduce sales and gross margins, increase operating expenses and decrease profit margins.

Our business will suffer if our independent manufacturers fail to produce apparel that meets our quality standards.

Gymboree has occasionally received, and may in the future continue to receive, shipments of products from unaffiliated manufacturers that fail to conform to our quality control standards. We cannot assure you that our independent manufacturers will continue to produce products that comply with Gymboree's standards. In such an event, unless we are able to obtain replacement products in a timely manner, Gymboree may lose revenue resulting from the non-sale of such products and experience related increased administrative and shipping costs. Also, the failure of any key unaffiliated manufacturer to supply products that conform to Gymboree's standards could materially and adversely affect our reputation in the marketplace.

The loss of our technology support service provider could impair our ability to manage various aspects of our store operations, or our ability to report results in a timely way.

Gymboree outsources various technological support functions. If our contractor were unable for any reason to continue to provide this support, or were to suffer a sudden breakdown in capabilities, this could have a negative impact on our ability to maintain reporting from our stores to headquarters, and could prevent us from reporting sales results or earnings, or from allocating product in a timely fashion, which could impair our ability to manage our stores' inventory.

We may suffer negative publicity if any of our products are found to be unsafe.

Gymboree currently tests most toys and similar products sold in our stores. However, we may end this practice in the foreseeable future, as we anticipate that a larger portion of the toys and similar products we sell will be products that we buy from market sources for resale to our customers. If these products have safety problems of which we are not aware or if the Consumer Product Safety Commission recalls a product sold in our stores, we may experience not only negative publicity, which could adversely impact our sales and reputation, but also product liability lawsuits, which could have a material adverse effect on our reputation, business and our financial position.

We may be subject to negative publicity or be sued if our manufacturers violate labor laws or engage in practices that our customers believe are unethical.

We seek to require our independent manufacturers to operate their businesses in compliance with the laws and regulations that apply to them. Our sourcing personnel periodically visit and monitor the operations of our independent manufacturers, but we cannot control their business and labor practices. If an independent manufacturer violates labor laws or other applicable regulations, or if such a manufacturer engages in labor or other practices that diverge from those typically acceptable in the United States, Canada or Europe, Gymboree could in turn experience negative publicity or be sued. Negative publicity regarding the production of our products could materially adversely affect sales of our products and our business, and a lawsuit could materially adversely effect our financial position. For example, see Item 3, "Legal Proceedings."

The loss of a key vendor could impair our ability to obtain a sufficient quantity of fabric for our apparel.

In 2000, one vendor accounted for 55% of our cotton knit fabric purchases. Although we believe that other sources could be identified to satisfy our requirements for cotton knit fabrics, the loss of this vendor, or a delay in obtaining fabric from this vendor, could have a material adverse effect on our business and operating results.

Our business may be harmed by additional United States regulation of foreign trade or customs delays.

Our business is subject to the risk that the United States may adopt additional regulations relating to imported apparel products, including quotas, duties, taxes and other charges or restrictions on imported apparel. We cannot predict whether additional United States quotas, duties, taxes or other charges or restrictions will be imposed upon the importation of our products in the future, or what effect any such actions would have on our business, financial position and results of operations. If the U.S. government imposes any such charges or restrictions, the supply of products could be disrupted and their cost could substantially increase, either of which could materially adversely affect our operating results. Unforeseen delays in customs clearance of any goods could materially impact our ability to deliver complete shipments to our stores.

Our business will be impaired if we cannot protect our trademarks.

We believe that our registered and common law trademarks have significant value and that some of our trademarks are instrumental to our ability to create and sustain demand for and to market our products. We believe that there are no currently pending material challenges to the use or registration of any of Gymboree's registered trademarks. There can be no assurance, however, that our trademarks do not or will not violate the proprietary rights of others, that they would be upheld if challenged or that Gymboree would, in such an event, not be prevented from using our trademarks, any of which could have a material adverse effect on Gymboree and our business. In addition, we could incur substantial costs in defending legal actions taken against Gymboree relating to our use of trademarks, which could have a material adverse effect on our results of operations and financial position.

From time to time, Gymboree discovers products in the marketplace that are counterfeit reproductions of our products or that otherwise infringe upon trademark rights held by Gymboree. If Gymboree is unsuccessful in challenging a third party's products on the basis of trademark infringement, continued sales of such products by that or any other third party could adversely impact the Gymboree brand, result in the shift of consumer preferences away from Gymboree and generally have a material adverse effect on our results of operations and financial position.

A disaster could severely damage our operations.

Our operations depend on our ability to maintain and protect our computer systems, on which we rely to manage our purchase orders, store inventory levels, accounting functions and other aspects of our business. We have computer systems located in each of our stores, with the main database server for our systems located in Burlingame, California, which exists on or near known earthquake fault zones. A disaster could severely damage our business and results of operations not only by damaging our stores, but also by damaging our main server, which could disrupt our business for an indeterminate length of time. Although the outside facility that hosts our main server is designed to be fault tolerant, our systems are vulnerable to damage from fire, floods, earthquakes, power loss, telecommunications failures, and similar events. Furthermore, Gymboree distributes its products from three distribution centers, located in the United States, Canada and Ireland. If for any reason any of these distribution centers were destroyed or damaged and were unable to distribute product to the stores in its areas of geographic responsibility, we could suffer a loss from the non-sale of such products. Although we maintain insurance against fires, floods, earthquakes and general business interruptions, there can be no assurance that the amount of coverage will be adequate in any particular case.

The market price for our common stock, like other retail stocks, may be volatile.

Our stock price, like that of other companies in the retail industry, is subject to volatility. If revenues or earnings in any quarter fail to meet the investment community's expectations for any reason, there could be an immediate adverse impact on our stock price. The stock price may also be affected by broader market trends unrelated to our performance. Such volatility may limit our ability in the future to raise additional capital. Volatility in the market price of our common stock could result in securities class action litigation. This type of litigation could result in substantial costs and a diversion of management's attention and resources.

TEAM MEMBERS

As of February 3, 2001, Gymboree had over 7,200 full-time and part-time team members. In addition, a significant number of seasonal team members are hired during each holiday selling season. None of our team members are represented by a labor union, and we believe that our relationship with our team members is good.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information regarding our executive officers as of March 31, 2001.

Name	Age	Position
Lisa M. Harper	41	Vice Chair of the Board and Chief Executive Officer
Alison L. May	51	Executive Vice President and Chief Operating Officer
Lawrence H. Meyer	48	Senior Vice President and Chief Financial Officer

Lisa M. Harper rejoined Gymboree in January 1999 as Vice President of Design. She later served as Senior Vice President of Merchandising and Design, and became General Merchandise Manager in February 2000. She was appointed to the Board of Directors in June 2000, was named President and Chief Operating Officer in September 2000, and was named Vice Chair of the Board and Chief Executive Officer in February 2001. Ms. Harper was also Gymboree's Director of Design and Merchandising from 1992 to 1995. From 1997 to 1998, Ms. Harper was Vice President of Design for Limited Too, and was Director of Design and Merchandising for Baby Super Stores from 1996 to 1997. Prior to that Ms. Harper held senior design and merchandising positions with Esprit de Corp., Mervyn's, GapKids, and Levi Strauss.

Alison L. May joined Gymboree in March 2001, as Executive Vice President and Chief Operating Officer. Ms. May was a management and strategic planning consultant for business startups immediately prior to joining Gymboree. She was Chief Operating Officer of Esprit de Corp. from 1998 to 2000, where she also served as Chief Financial Officer from 1997 to 1998. She was Chief Financial Officer and then President and General Manager of Patagonia, Inc., between 1991 and 1996. Her experience before this included 20 years of banking and international business experience.

Lawrence H. Meyer joined Gymboree as Senior Vice President and Chief Financial Officer in September 1998. From 1991 to 1998, Mr. Meyer was Chief Financial Officer and later was Vice President, Business Development, of Toys "R" Us International. Prior to that, Mr. Meyer was Vice President and Chief Financial Officer of Nielsen Marketing Research from 1989 to 1991, and held several financial positions with PepsiCo, Inc. from 1978 to 1989.

ITEM 2. PROPERTIES

As of February 2001, Gymboree's corporate campus is located in three office buildings in Burlingame, California, which we occupy under leases expiring between 2003 and 2006.

We own a 300,000 square foot distribution center on 15 acres in Dixon, California. We have an option agreement on contiguous land for an additional six acres. All products are distributed to our U.S. stores from this facility. Gymboree leases a distribution center in Shannon, Ireland for European operations, and utilizes a third-party owned and operated distribution center in Toronto, Ontario, Canada for Canadian operations.

At February 3, 2001, Gymboree's 580 stores included an aggregate of approximately 1,007,000 square feet of space while the 19 Zutopia stores occupied approximately 48,000. Our stores are all leased, typically for a 10-year term and include a cancellation clause if minimum revenue levels are not achieved. In most cases, Gymboree pays a minimum rent plus a percentage rent based on the store's net sales in excess of a certain threshold. Substantially all of the leases require us to pay insurance, utilities, real estate taxes and repair and maintenance expenses. In addition, we operate 29 Play & Music sites under leases that expire between 2001 and 2010. See Note 5 of the Notes to Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

Gymboree was named as a defendant in a lawsuit relating to sourcing of products from Saipan (Commonwealth of the Northern Mariana Islands). A complaint was filed on January 13, 1999 in the U.S. District Court, Central District of California, by various unidentified worker plaintiffs against Gymboree and approximately 25 other parties. The case was transferred to the U.S. District Court for the District of Hawaii. That court ordered the case to be transferred to the U.S. District Court for the District of the Northern Mariana Islands. The transfer to the District Court in the Northern Mariana Islands was stayed by the Ninth Circuit Court of Appeals so that it could review the legal issues involved. The plaintiffs seek class-action status and allege, among other things, that Gymboree (and other defendants) violated the Racketeer Influenced and Corrupt Organizations Act in connection with the labor practices and treatment of workers of factories in Saipan that make products for us. The plaintiffs seek injunctive relief as well as actual and punitive damages. Gymboree has agreed to a settlement with the plaintiffs that would require us to pay approximately $200,000, but the settlement will not take effect until it is approved by the court, which cannot take place until the transfer issues are decided. There can be no assurance that the court that ultimately hears the motion to approve the settlement will approve it.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Gymboree's Common Stock is traded on the Nasdaq National Market System under the symbol "GYMB." The following table sets forth the quarterly high and low sale prices per share, as reported on the Nasdaq National Market System.

	Fiscal 2000		Fiscal 1999	
	High	Low	High	Low
First Quarter	4.688	3.375	12.188	6.500
Second Quarter	5.031	2.500	13.875	4.875
Third Quarter	8.875	4.344	7.625	4.750
Fourth Quarter	16.625	8.938	7.500	4.625

As of April 30, 2001, the number of holders of record of Gymboree's Common Stock totaled approximately 690. Gymboree has never declared or paid cash dividends on its Common Stock and anticipates that all future earnings will be retained for development of its business. The payment of any future dividends will be at the discretion of Gymboree's Board of Directors and will depend upon, among other things, future earnings, capital requirements, our financial position and general business conditions. In addition, Gymboree is restricted from paying dividends under the terms of its existing credit facility.

As of February 3, 2001, 1,426,270 shares of Common Stock had been issued upon exercise of options and pursuant to restricted stock purchase agreements, and 3,793,381 shares of Common stock were issuable upon exercise of outstanding options under Gymboree's Amended and Restated 1993 Stock Option Plan.

In May 2000, Gymboree issued 3,198,670 shares of Common Stock at $2.97 apiece for a total of $9.5 million, net of issuance costs. Pursuant to registration rights granted to the purchasers, resale of the shares were registered on a Form S-3 effective January 24, 2001. In connection with the issuance of the shares, the purchasers received warrants to purchase 479,803 shares of Common Stock at $2.97 per share. These warrants became exercisable in November 2000 and remain exercisable until May 2003. Of these shares and warrants, a total of 2,222,222 shares and warrants to purchase 333,334 shares were issued to Stuart Moldaw and Walter Loeb, both of whom are directors of Gymboree, and Asdale, Ltd., an organization affiliated with John Pound, who subsequently became a director of Gymboree. The issuances were exempt from registration under the Securities Act of 1933 pursuant to the Section 4(2) exemption for transactions by an issuer not involving any public offering.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data have been derived from the consolidated financial statements of Gymboree. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto.

(In thousands, except operating data and per share amounts)	2000	1999	1998	1997	1996
Statement of Operations Data:(1)					
Net sales	$ 448,607	$ 437,076	$ 457,219	$ 373,440	$ 303,111
Cost of goods sold, including buying and occupancy expenses	(323,958)	(281,273)	(292,686)	(207,630)	(164,052)
Gross profit	124,649	155,803	164,533	165,810	139,059
Selling, general and administrative expenses	(185,019)	(176,184)	(157,092)	(112,443)	(91,540)
Play and music income, net	2,163	2,324	2,013	517	74
Operating income (loss)	(58,207)	(18,057)	9,454	53,884	47,593
Foreign exchange gains (losses)	130	(55)	187	(837)	—

Net interest income (expense)	(1,871)	877	265	2,778	3,678
Income (loss) before income taxes	(59,948)	(17,235)	9,906	55,825	51,271
Income tax benefit (expense)	23,080	6,635	(3,665)	(20,655)	(19,483)
Net income (loss)	$ (36,868)	$ (10,600)	$ 6,241	$ 35,170	$ 31,788
Basic income (loss) per share	$ (1.38)	$ (0.44)	$ 0.26	$ 1.45	$ 1.27
Diluted income (loss) per share	$ (1.38)	$ (0.44)	$ 0.26	$ 1.41	$ 1.24
Basic weighted average shares outstanding	26,686	24,315	24,164	24,302	25,111
Diluted weighted average shares outstanding	26,686	24,315	24,227	25,000	25,670
Operating Data:					
Number of stores at end of period	599	605	564	435	354
Net sales per average gross square foot	$ 425	$ 417	$ 550	$ 621	$ 670
Net sales per average store	$ 748,981	$ 722,000	$ 915,000	$ 947,000	$ 948,000
Comparable store net sales increase (decrease)(2)	(1%)	(17%)	1%	2%	(6%)
Balance Sheet Data:					
Working capital	$ 33,374	$ 57,225	$ 76,314	$ 71,590	$ 105,190
Total assets	244,442	240,918	255,594	229,200	216,909
Long term debt	16,443	10,877	11,460	—	—
Stockholders' equity	134,116	158,462	168,372	157,710	161,933

(1) 2000 included 53 weeks, while 1999 through 1996 included 52 weeks.

(2) A store becomes comparable after it is opened for 14 full months. Comparable store net sales in fiscal years 2000 through 1996 were calculated on a 52 week basis.

This annual report on Form 10-K contains forward-looking statements reflecting our current expectations and there can be no assurance that Gymboree's actual future performance will meet such expectations. Factors that could cause future performance to vary from current expectations include, but are not limited to, the factors discussed in Item 1, "Business" and in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Gymboree Corporation was founded in 1976 as a provider of interactive parent-child play programs and began to franchise this business in 1979. In 1986, we opened our first retail store featuring children's apparel and accessories. Through the end of 2000, we have grown to 580 stores, including 547 stores in 50 states and the District of Columbia, 20 stores in Canada and 32 stores in Europe. As of February 3, 2001, Gymboree also operated 19 Zutopia stores pending sale to The Wet Seal, Inc.

Gymboree's net sales for 2000 increased to $448.6 million from $437.1 million in 1999 and $457.2 million in 1998. Our net loss totaled $36.9 million compared to a net loss of $10.6 million in 1999 and to a net income of $6.2 million in 1998. Comparable store net sales, all based on a 52 week period, decreased 1% during 2000 versus 1999, decreased 17% in 1999 versus 1998 and increased 1% during 1998 versus 1997. We expect future increases in net sales and net income will be dependent on the ability to generate sales increases within existing stores and generate profitability in international stores.

Gymboree's year-end is on the Saturday closest to January 31. Fiscal year 2000, which included 53 weeks, ended on February 3, 2001. Fiscal 1999 and 1998, which included 52 weeks, ended on January 29, 2000, and January 30, 1999, respectively.

2000 Compared to 1999

Net Sales

Net sales increased $11.5 million, or 3%, to $448.6 million for the 53 weeks of fiscal 2000 as compared to $437.1 million generated for the 52 weeks of fiscal 1999. The increase reflects sales from the inclusion of the 53rd week ($8.2 million), sales from 9 new stores opened during 2000 ($3.9 million), annualized revenue from

store additions or relocations made during 1999 ($3.5 million), and the increased sales from 6 stores relocated during 2000 ($1.3 million). These increases more than offset the loss of sales associated with the net comparable store sales decline ($2.7 million) and the loss of sales from stores closed during 2000 ($2.7 million). Comparable store sales for the 52 weeks ended January 27, 2001, decreased 1% versus the 52 weeks ended January 29, 2000.

Gross Profit

Gross profit decreased 20% to $124.6 million from $155.8 million in 1999. As a percentage of net sales, gross profit decreased to 27.8% in 2000 from 35.6% in 1999. The decrease versus 1999 in both gross profit dollars and rate as percentage of net sales reflects the cost of transitioning to our current merchandising strategy. Specifically, during the first half of the year, we experienced both higher markdowns associated with liquidating undesirable product and large comparable sales declines due to inappropriately low inventory levels. During the third quarter, the gross profit rate was lower due to high markdowns associated with liquidating undesirable product. During the fourth quarter, both gross profit dollars and rate as a percentage of net sales were higher than 1999 because we had more desirable merchandise and higher inventory levels.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("S,G &A"), which principally consist of non-occupancy store expenses, corporate overhead and distribution expenses, increased as a percentage of net sales to 39.8% in 2000 (excluding the special charges) compared to 38.6% in 1999 (excluding special charges). Special charges totaled $6.3 million and $7.2 million in 2000 and 1999, respectively. Fiscal 2000 special charges resulted primarily from the loss associated with the sales of Zutopia to The Wet Seal, Inc. and the impairment reserve for store assets and software costs related to website development. Special charges for fiscal 1999 resulted from the implementation of a brand change and include the accelerated depreciation of store interior assets and proprietary signage assets bearing the old trademark, expense for modifications of store interiors and removal of certain store assets, and the impairment reserve for store assets and software write off. See discussion of impairment reserve and special charges in Notes 2, 3 and 4 of the Notes to Consolidated Financial Statements. Excluding the special charges, the increase in S,G& A, as a percentage of net sales, was primarily attributable to increased selling expenses associated with the opening of new domestic and international stores coupled with an increase in distribution costs resulting from an increase in units processed.

Play & Music Income, Net

Play & Music income, net decreased 7% to $2.2 million in 2000, from $2.3 million in 1999, due to lower equipment sales, lower than anticipated product sales and increased expenses related to the development of its new music curriculum.

Foreign Exchange Gains (Losses)

Net foreign exchange gains totaled $130,000 in 2000 as compared to net foreign exchange losses of $55,000 in 1999. These gains and losses resulted from currency fluctuations in inter-company transactions between our United States operations and foreign subsidiaries.

Net Interest Income (Expense)

Interest income decreased to $0.6 million in 2000, from $1.8 million in 1999, due to lower average cash and investment balances. In 2000, interest expense totaled $2.5 million, as compared to 1999 interest expense of $0.9 million. The increase in interest expense relates to our long term debt issued in 1998 and 2000 and borrowings associated with a secured credit facility obtained in 2000, as discussed in Note 6 of the Notes to Consolidated Financial Statements.

Income Tax

Gymboree's effective tax rate for 2000 and 1999 was 38.5%. See Note 8 of the Notes to Consolidated Financial Statements.

1999 Compared to 1998

Net Sales

Net sales decreased 4% to $437.1 million for 1999, compared to $457.2 million for 1998. Sales for the 43 stores opened in 1999 provided incremental sales of $18.3 million. Stores opened or expanded prior to 1999

but not qualifying as comparable stores, including the 20 stores expanded in 1999, contributed $30.7 million in additional sales over 1998. Decreases in comparable store sales totaled $69.1 million, a 17% reduction from 1998. The comparable store sales decline resulted from an aggressive inventory reduction strategy, which caused fewer markdowns.

Gross Profit

Gross profit decreased 5% to $155.8 million from $164.5 million in 1998. As a percentage of net sales, gross profit decreased to 35.6% in 1999 from 36.0% in 1998. Additionally, the decrease in gross profit as a percentage of net sales was attributable to a loss of leverage resulting from the comparable store sales declines and higher occupancy expense from an increased number of European stores, increased buying expense associated with opening Zutopia, and the expansion of 20 Gymboree stores in the United States. This decline was partially offset by a higher merchandise margin in 1999.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("S,G &A"), which principally consist of non-occupancy store expenses, corporate overhead and distribution expenses, increased as a percentage of net sales to 38.6% in 1999 (excluding the special charges) compared to 34.3% in 1998. Special charges totaled $7.2 million. These charges, which primarily resulted from the implementation of a brand change, include the accelerated depreciation of store interior assets and proprietary signage assets bearing the old trademark, expense for modifications of store interiors and removal of certain store assets, and the impairment reserve for store assets and software write off discussed in Notes 2 and 4 of the Notes to Consolidated Financial Statements. Excluding the special charges, the increase in S,G&A, as a percentage of net sales, was primarily attributable to the loss of leverage caused by lower average stores sales related to the comparable sales decline as well as increased selling expenses associated with the opening of new domestic and international stores and our launch of the Zutopia stores.

Play & Music Income, Net

Play & Music income, net increased 15% to $2.3 million in 1999, from $2.0 million in 1998, due primarily to new franchise sales, enrollment growth in both franchised and corporate owned centers and increased play product sales.

Foreign Exchange Gains (Losses)

Net foreign exchange losses totaled $55,000 in 1999 as compared to net foreign exchange gains of $187,000 in 1998. These gains and losses resulted from currency fluctuations in inter-company transactions between our United States operations and foreign subsidiaries.

Net Interest Income

Interest income increased to $1.8 million in 1999, from $0.8 million in 1998, due to larger average cash balances. In 1999, interest expense totaled $0.9 million, as compared to 1998 interest expense of $0.5 million. The increase in interest expense relates to our long-term debt issued in 1998, discussed in Note 6 of the Notes to Consolidated Financial Statements.

Income Taxes

Gymboree's effective tax rate for 1999 was 38.5% as compared to a 37% effective rate for 1998. See Note 8 of the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

During 2000 Gymboree satisfied its cash requirements through a combination of equity financing and borrowings as compared to 1999 and 1998 when cash requirements were met through a combination of cash

flow from operations and from borrowings. Primary uses of cash during 2000 have been to finance operating activities as compared to 1999 and 1998 when uses of cash have been to finance the construction of new domestic and international stores.

The combined balances of cash, cash equivalents and investments totaled $5.3 million and $40.3 million at February 3, 2001 and January 29, 2000, respectively.

Working capital as of February 3, 2001 totaled $33.4 million compared to $57.2 million at January 29, 2000. The decrease in working capital was primarily due to an increase in borrowings needed to fund the operating loss. During 2000, Gymboree used $56.6 million in operating activities primarily reflecting an increase of inventory of $31 million coupled with higher deferred income taxes of $17.8 million plus a net loss of $36.9 million. During 2000, investing activities consisted of capital expenditures totaling $11.8 million. Also during 2000, financing activities provided $33.4 million reflecting borrowings (net of repayments) of $21.8 million and proceeds from issuance of stock of $11.6 million. During 1999, Gymboree generated $45.2 million of cash from operations primarily reflecting a reduction of inventory of $27.0 million coupled with depreciation expense of $24.9 million that more than offset a net loss of $10.6 million. Uses of cash in 1999 consisted primarily of $33.2 million for capital expenditures, related largely to the opening of 22 new Gymboree stores, the expansion of 20 existing stores and the opening of 19 Zutopia stores.

On August 24, 2000, Gymboree entered into a three-year secured revolving line of credit with Fleet Retail Finance, Inc. and a syndicate of other lenders. This facility provides for an overall credit line of $75 million that may be used for working capital and capital expenditure needs and the issuance of documentary and standby letters of credit. Gymboree's maximum borrowing under the credit facility may not exceed the lesser of (a) $75 million or (b) the total of (i) the adjusted value of acceptable inventory, including eligible letter of credit inventory (subject to advance rates); plus (ii) 85% of Gymboree's eligible credit card accounts receivable; plus (iii) 100% of eligible investments; minus (iv) applicable reserves. Gymboree's annual capital expenditures are limited to $15 million under this agreement. As of February 3, 2001, approximately $20.8 million was available pursuant to such facility. The interest rate during the term of the facility will be based on the bank's Reference Rate plus an applicable margin of up to 0.25% or Eurodollar rate plus an applicable margin of up to 2.50%. As of February 3, 2001, the interest rate was 8.5%.

Between October 4, 2000 and November 14, 2000, Gymboree entered into a series of amendments to the existing secured facility with Fleet Retail Finance, Inc. that increased the overall credit line to $87.5 million and reduced certain applicable reserves. The credit line and applicable reserves have since returned to original levels.

In addition, on August 24, 2000, Gymboree obtained a three-year term loan for $7 million with Back Bay Capital Funding LLC with an annual interest rate of 16%. Both the credit facility and term loan are secured by a blanket lien on merchandise inventories and other assets.

During fiscal 1998, Gymboree issued two promissory notes totaling $12 million both secured by our distribution center in Dixon, California. The first note of approximately $3.1 million bears interest at 8.7% and is due October 2005. The second note of approximately $8.9 million bears interest at 8.9% and is due January, 2009. Interest on the promissory notes is payable monthly. During fiscal 2000, Gymboree prepaid principal of approximately $172,000 on the first note and $577,000 on the second note. The promissory notes contain certain financial covenants, which require Gymboree to maintain a minimum tangible net worth and meet certain ratios. As of February 3, 2001, Gymboree was not in compliance with the minimum fixed charge ratio covenant. The bank waived non-compliance with such covenant.

Gymboree estimates that capital expenditures during 2001 will be between $12 and $15 million, and will primarily be used to relocate and expand 10-15 stores, to open approximately 10 new domestic and international stores, to update the store fronts of approximately 150 stores and to upgrade and replace systems.

We anticipate that cash generated from operations, together with our existing cash resources and funds available from current and future credit facilities, will be sufficient to satisfy our cash needs through fiscal 2001. If additional credit facilities are required, no assurance can be given that such facilities will be available under terms acceptable to Gymboree.

Seasonality and Quarterly Fluctuations

Gymboree has historically experienced, and expects to continue to experience, seasonal fluctuations in our retail sales and net income. Historically, a disproportionate amount of our retail sales and a significant portion of our net income have been realized during the months of November and December. In anticipation of increased sales activity during these months, Gymboree hires a significant number of temporary employees to bolster the store staff. In addition, we have experienced periods of increased sales activity in early spring and early fall. If, for any reason, our sales were below seasonal norms during November and December, or during the early spring or early fall, our annual operating results could be materially and adversely affected. Historically, retail sales and net income have been weakest during the second fiscal quarter, and we expect this trend to continue. Gymboree's quarterly results of operations may also fluctuate significantly as a result of a variety of factors, including the timing of new store openings, the costs and increased overhead associated with the opening and future operation of new stores. In addition, the sales contributed by new stores, advertising and marketing expenditures, merchandise mix and timing, and level of markdowns may contribute to fluctuations in operating performance.

Effective April 30, 2000, Gymboree adopted Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133 requires that all derivatives be recorded on the balance sheet at fair value. Changes in the fair value of derivatives that do not qualify, or are not effective as hedges must be recognized currently in earnings. Upon adoption of SFAS 133, Gymboree recorded a cumulative effect type adjustment to Other Comprehensive Income (OCI) of $22,000 to recognize the fair value of forward contracts that qualified as cash flow hedges under the new standard, all of which has been reclassified into income as of February 3, 2001.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Gymboree enters into forward foreign exchange contracts to hedge certain inventory purchases (principally British pounds sterling and Canadian dollars). The term of the forward exchange contracts is generally less than one year. The purpose of our foreign currency hedging activities is to protect us from the risk that the eventual dollar net cash inflow resulting from the repayment of certain inter-company loans from our foreign subsidiaries and the dollar margins resulting from inventory purchases will be adversely affected by changes in exchange rates.

As of February 3, 2001, Gymboree had no open forward foreign exchange contracts.

The table below summarizes by major currency the notional amounts and fair value of our forward foreign exchange contracts in U.S. dollars as of January 29, 2000.

(In thousands)	Notional Amount	Fair Value
British pounds sterling	$ 15,681	$ 141
Canadian dollars	15,421	17
Japanese yen	(648)	(11)
Total	$ 30,454	$ 147

Gymboree's current borrowings under its line of credit are subject to a variable interest rate which, if increased, would have an adverse impact on Gymboree. For example, an increase of 1% would result in additional interest expense of approximately $200,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

THE GYMBOREE CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

(In thousands, except share data)	February 3, 2001	January 29, 2000
Current Assets:		
Cash and cash equivalents	$ 5,306	$ 40,274
Accounts receivable	7,734	4,920
Merchandise inventories	78,056	47,103
Prepaid expenses	8,139	3,511
Deferred taxes	1,689	3,871
Total current assets	100,924	99,679
Property and Equipment:		
Land and buildings	9,943	9,943
Leasehold improvements	89,425	88,019
Furniture, fixtures, and equipment	107,304	108,606
	206,672	206,568
Less accumulated depreciation and amortization	(88,990)	(69,123)
	117,682	137,445
Deferred Taxes	21,035	1,096
Lease Rights and Other Assets	4,801	2,698
Total Assets	$ 244,442	$ 240,918
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long term debt	$ 634	$ 583
Borrowings on revolving line of credit	16,225	—
Accounts payable	31,152	18,596
Accrued liabilities	19,539	23,275
Total current liabilities	67,550	42,454
Long Term Liabilities:		
Long term debt, net of current portion	9,443	10,877
Deferred rent and other liabilities	26,333	29,125
Notes payable	7,000	—
Total Liabilities	110,326	82,456
Stockholders' Equity:		
Common stock, including excess paid-in capital ($.001 par value: 100,000,000 shares authorized; 28,039,553 and 24,401,604 shares outstanding at February 3, 2001 and January 29, 2000, respectively)	40,475	27,807
Retained earnings	93,641	130,655
Total stockholders' equity	134,116	158,462
Total Liabilities and Stockholders' Equity	$ 244,442	$ 240,918

See notes to consolidated financial statements

THE GYMBOREE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended			As a Percentage of Net Sales for the Year Ended		
(In thousands, except per share data)	**February 3, 2001**	**January 29, 2000**	**January 30, 1999**	**February 3, 2001**	**January 29, 2000**	**January 30, 1999**
Net sales	$ 448,607	$ 437,076	$ 457,219	100.0%	100.0%	100.0%
Cost of goods sold, including buying and occupancy expense	(323,958)	(281,273)	(292,686)	(72.2)	(64.4)	(64.0)

Gross profit	124,649	155,803	164,533	27.8	35.6	36.0
Selling, general and administrative expenses	(185,019)	(176,184)	(157,092)	(41.2)	(40.2)	(34.3)
Play and music income, net	2,163	2,324	2,013	0.5	0.5	0.4
Operating income (loss)	(58,207)	(18,057)	9,454	(13.0)	(4.1)	2.1
Foreign exchange gains (losses), net	130	(55)	187	0.0	(0.0)	0.0
Net interest income (expense)	(1,871)	877	265	(0.4)	0.2	0.1
Income (loss) before income taxes	(59,948)	(17,235)	9,906	(13.4)	(3.9)	2.2
Income tax benefit (expense)	23,080	6,635	(3,665)	5.1	1.5	(0.8)
Net income (loss)	$(36,868)	$(10,600)	$ 6,241	(8.3)%	(2.4)%	1.4%
Income (loss) per share:						
Basic	$ (1.38)	$ (0.44)	$ 0.26			
Diluted	$ (1.38)	$ (0.44)	$ 0.26			
Weighted average shares outstanding:						
Basic	26,686	24,315	24,164			
Diluted	26,686	24,315	24,227			

See notes to consolidated financial statements

THE GYMBOREE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended: February 3, 2001	January 29, 2000	January 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$(36,868)	$(10,600)	$ 6,241
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	24,104	24,909	18,776
Impairment reserve	535	4,325	—
Deferred income taxes	(17,757)	(7,144)	214
Non-cash compensation expense	130	—	—
Loss on disposal of property and equipment	6,946	949	1,794
Tax benefit from exercise of stock options	957	—	1,596
Change in assets and liabilities:			
Accounts receivable	(2,814)	2,891	(2,627)
Merchandise inventories	(31,100)	27,031	1,263
Prepaid expenses and other assets	(6,731)	2,049	(2,894)
Accounts payable	12,556	(3,246)	(4,204)
Accrued liabilities	(3,736)	4,997	10,456
Deferred liabilities	(2,792)	(922)	(3,138)
Net cash provided by (used in) operating activities	(56,570)	45,239	27,477
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Capital expenditures	(11,821)	(33,188)	(32,024)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of stock	11,581	952	2,487
Proceeds from borrowings	23,225	—	12,000
Payments on long term debt	(1,383)	(539)	—
Net cash provided by financing activities	33,423	413	14,487
Net Increase (Decrease) in Cash and Cash Equivalents	(34,968)	12,464	9,940
CASH AND CASH EQUIVALENTS:			
Beginning of Year	40,274	27,810	17,870

End of Year	$ 5,306	$ 40,274	$ 27,810
OTHER CASH FLOW INFORMATION:			
Cash paid during the year for income taxes	$ 275	$ 699	$ 3,561
Cash paid during the year for interest	$ 2,344	$ 1,058	$ 537

See notes to consolidated financial statements

THE GYMBOREE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock and Excess Paid-in Capital			
(In thousands)	**Shares**	**Amount**	**Retained Earnings**	**Total**
BALANCE AT JANUARY 31, 1998	**24,015,096**	**$22,772**	**$134,938**	**$157,710**
Issuance of common stock under stock option and purchase plans	225,667	2,487		2,487
Tax benefit from exercise of stock options		1,596		1,596
Net income			6,241	
Other comprehensive income			338	
Comprehensive income			6,579	6,579
BALANCE AT JANUARY 30, 1999	**24,240,763**	**26,855**	**141,517**	**168,372**
Issuance of common stock under stock option and purchase plans	160,841	952		952
Net loss			(10,600)	
Other comprehensive loss			(262)	
Comprehensive loss			(10,862)	(10,862)
BALANCE AT JANUARY 29, 2000	**24,401,604**	**$27,807**	**$130,655**	**$158,462**
Issuance of common stock under stock option and purchase plans	439,279	2,117		2,117
Net proceeds from issuance of common stock pursuant to private placement	3,198,670	9,464		9,464
Stock options exchanged for services rendered		130		130
Tax benefit from exercise of stock options		957		957
Net loss			(36,868)	
Other comprehensive loss			(146)	
Comprehensive loss			(37,014)	(37,014)
BALANCE AT FEBRUARY 3, 2001	**28,039,553**	**$40,475**	**$93,641**	**$134,116**

See notes to consolidated financial statements

THE GYMBOREE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include The Gymboree Corporation and its wholly-owned subsidiaries ("Gymboree"). All significant inter-company balances and transactions have been eliminated.

Nature of the Business

Gymboree is a leading specialty retailer of high quality apparel and accessories for children and operates as one reportable segment. As of February 3, 2001, Gymboree operated 580 stores, including 528 Gymboree stores in the United States, 20 Gymboree stores in Canada and 32 stores in Europe, as well as an on-line store at www.gymboree.com. Gymboree also operated 19 Zutopia stores as of February 3, 2001. Effective March 25, 2001, Gymboree sold the Zutopia stores to The Wet Seal, Inc. (See Note 3.)

Fiscal Year

Gymboree's year-end is on the Saturday closest to January 31. Fiscal year 2000, which included 53 weeks, ended on February 3, 2001. Fiscal 1999 and 1998, which included 52 weeks, ended on January 29, 2000, and January 30, 1999, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investment instruments with a maturity of three months or less, at date of purchase.

Estimated Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and current portion of debt approximates their estimated fair values due to the short maturities of these instruments. The carrying value of long term debt approximates its fair value based on current rates available to Gymboree for similar debt.

Merchandise Inventories

Merchandise inventories are recorded under the retail method of accounting and are stated at the lower of cost or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from approximately 3 to 10 years. Leasehold improvements are amortized over the lesser of the lease term which range from 10 to 25 years, or the estimated useful lives of the improvements. Internally developed and purchased computer software is recorded at cost and is amortized using the straight-line method based on an estimated useful life of 5 years.

Capitalized Interest

Gymboree follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use. In fiscal 2000 and 1999, interest capitalized totaled approximately $279,000 and $150,000, respectively.

Income Taxes

Gymboree computes income taxes using the asset and liability method. Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. A valuation allowance is recorded when it is deemed more likely than not that a deferred tax asset will not be realized.

Lease Rights

Lease rights are included in other assets and are recorded at cost and amortized over 10 years or the life of the lease.

Deferred Rent

Many of Gymboree's operating leases contain predetermined fixed increases of the minimum rental rate during the initial lease term. For these leases, Gymboree recognizes the related rental expense on a straight-line basis and record the difference between the amount charged to expense and the rent paid as deferred rent.

Construction Allowance

As part of many of our lease agreements, we receive construction allowances from landlords. These allowances offset the capital expenditures associated with the expansion or construction of stores. The construction allowances have been deferred and are amortized on a straight-line basis over the life of the lease as a reduction of rent expense. Construction allowances of $1.4 million and $1.6 million were granted in fiscal years 2000 and 1999, respectively, and are included in deferred rent and other liabilities.

Foreign Currencies

Assets and liabilities of foreign subsidiaries are translated to U.S. dollars at the exchange rates effective on the balance sheet date. Translation adjustments resulting from this process are recorded as other comprehensive income. Revenues, costs of sales, expenses and other income are translated at average rates of exchange prevailing during the year.

In fiscal 2000 Gymboree entered into forward foreign exchange contracts to reduce exposure to foreign currency exchange risk related to our inter-company loans, which are denominated in foreign currencies. The net gains and losses between the forward foreign exchange contracts and inter-company loans are included in net income.

During fiscal 2000, Gymboree converted $1.9 million of inter-company balances to ten-year inter-company loans and has elected no longer to hedge these amounts.

As of February 3, 2001, Gymboree had no open forward foreign exchange contracts.

Store Pre-opening Costs

Store pre-opening costs are expensed as incurred.

Play & Music Revenue Recognition

Initial franchise fees for all sites sold in a territory are recognized as revenue when the franchisee has paid the initial franchise fee, has received government approval in the case of international franchises, and has completed the training program. At that time, Gymboree has provided substantially all of the initial services required by the franchise agreement.

Stock-Based Compensation

Gymboree accounts for stock-based awards to employees using the intrinsic value method in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees."

Comprehensive Income (Loss)

Comprehensive income (loss) consists of foreign currency translation adjustments and unrealized gains/(losses) on the forward hedging contracts. Accumulated other comprehensive income/(loss) totaled ($97,000), $49,000 and $311,000 at fiscal year end 2000, 1999, and 1998, respectively.

Income (Loss) Per Share

Basic income (loss) per share is computed as net income (loss) divided by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share reflects the potential dilution that could occur from common shares issuable through stock options and restricted stock and is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period plus the dilutive effect of outstanding stock options and restricted stock.

The following is a summary of the calculation of the number of shares used in calculating basic and diluted EPS:

	Fiscal Year Ended		
(In thousands)	February 3, 2001	January 29, 2000	January 30, 1999
Shares used to compute basic EPS	26,686	24,315	24,164
Add: effect of dilutive securities	—	—	63

Shares used to compute diluted EPS	26,686	24,315	24,227

Options and warrants to purchase weighted average shares totaling approximately 674,450 and 75,013 in 2000 and 1999, respectively, were not included in the computation of diluted income (loss) per share because to do so would have been anti-dilutive.

Reclassifications

Certain amounts for prior years have been reclassified to conform to the 2000 presentation.

Recently Issued Accounting Standards

Effective April 30, 2000, Gymboree adopted Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133 requires that all derivatives be recorded on the balance sheet at fair value. Changes in the fair value of derivatives that do not qualify, or are not effective as hedges must be recognized currently in earnings. Upon adoption of SFAS 133, Gymboree recorded a cumulative effect type adjustment to Other Comprehensive Income (OCI) of $22,000 to recognize the fair value of forward contracts that qualified as cash flow hedges under the new standard, all of which has been reclassified into income as of February 3, 2001.

Foreign Exchange Exposure Management

The Company has international subsidiaries selling product in local currencies which was purchased in US dollars. To protect product margins as well as foreign currency payables and receivables Gymboree has a policy of hedging forecasted and existing foreign currency risk with forward contracts that expire within 12 months. These forward contracts are employed to eliminate, reduce, or transfer selected foreign currency risks that can be confidently identified and quantified. Hedges of anticipated transactions are designated and documented at inception as cash flow hedges and evaluated for effectiveness at least quarterly. The critical terms of the forward contract and the underlying transaction are matched at inception, and ongoing effectiveness is calculated by comparing the forward contract's fair value to the change in fair value of the defined exposure, with the effective portion of the highly effective hedges accumulated in OCI. Any residual changes in the fair value of the instruments are recognized immediately in Other Income and Expense. An immaterial amount of ineffectiveness was recognized in fiscal 2000.

OCI related to hedged inventory purchases is reclassified to Cost of Goods Sold based on inventory turns. All values reported in OCI ($90,000 gain at February 3, 2001) will be reclassified to income within 12 months. Gymboree recorded an immaterial cumulative effect adjustment in OCI to recognize the fair value of derivates designated as cash flow hedges.

2 Impairment of Long-Lived Assets

Gymboree evaluates the recoverability of its long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed Of whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference. During fiscal 2000, management identified 10 underperforming stores and established an impairment reserve equal to the carrying value of the leasehold improvements and fixtures used in the stores. The total charges related to these items totaled approximately $500,000 and are included in selling, general and administrative expenses for 2000 within the Statements of Operations.

During fiscal 1999, management identified 14 underperforming stores and 3 Play & Music corporate sites and established an impairment reserve equal to the carrying value of the leasehold improvements and fixtures used in the stores. In addition, Gymboree wrote off software applications that were not year 2000 compliant and did not meet Gymboree's current needs. Total charges related to these items totaled $4.3 million and are included in selling, administrative and general expenses in fiscal 1999.

3 Sale of Zutopia Chain

During fiscal 2000, Gymboree entered into an agreement with The Wet Seal, Inc. to sell the 19 Zutopia stores with an estimated sales price of $3.5 million. The agreement provides for the transfer of substantially all the assets of the Zutopia stores, along with the trademark, to The Wet Seal, Inc. and the assignment of the leases of 18 of the 19 stores. The remaining store was closed. As a result of the agreement, Gymboree recognized a loss of $5 million in fiscal 2000, which includes the loss related to the property and equipment, reserve for inventory and an accrual for legal fees and severance. The assets were transferred and sale closed on March 25, 2001 and March 29, 2001 respectively.

4 Special Charges

During fiscal 1999, Gymboree incurred special charges of $9.2 million, of which $7.2 million is included in selling, general and administrative expenses and $2 million is included in cost of goods sold. These charges, which primarily resulted from the implementation of a brand change, include the accelerated depreciation of store interior assets and proprietary signage assets bearing the old trademark, expense for modifications of store interiors and removal of certain store assets, the impairment reserve for store assets and software write-off discussed in Note 2, and the disposal of inventory which did not meet Gymboree's new fashion direction.

5 Leases

Gymboree leases its store locations, corporate Play & Music sites, corporate headquarters, foreign distribution centers and certain fixtures and equipment under operating leases. The leases expire at various dates through the year 2024. Store leases typically provide for payment by Gymboree of certain operating expenses, real estate taxes and additional rent based on a percentage of sales if a specified sales target is exceeded. Furthermore, a majority of the leases allow Gymboree to vacate after a stipulated period.

Future minimum lease payments under operating leases at February 3, 2001 are as follows:

(In thousands)

Year	
2001	$ 40,856
2002	40,125
2003	39,019
2004	37,400
2005	34,677
Later years	87,101
Total minimum lease commitments	$279,178

Rent expense for all operating leases totaled $66.5 million, $58.2 million and $46.7 million in 2000, 1999 and 1998 respectively, which includes percentage rent expense and other lease required expenses of $18.9 million, $18.1 million and $15.4 million for 2000, 1999 and 1998, respectively.

6 Borrowing Arrangements

On August 24, 2000, Gymboree entered into a three-year secured revolving line of credit with Fleet Retail Finance, Inc. and a syndicate of other lenders. This facility provides for an overall credit line of $75 million that may be used for working capital and capital expenditure needs and the issuance of documentary and standby letters of credit. Gymboree's maximum borrowing under the credit facility may not exceed the lesser of (a) $75 million or (b) the total of (i) the adjusted value of independently appraised acceptable inventory, including eligible letter of credit inventory (subject to advance rates); plus (ii) 85% of Gymboree's eligible credit card accounts receivable; plus (iii) 100% of eligible investments; minus (iv) applicable reserves. Gymboree's annual capital expenditures are limited to $15 million under this agreement. As of February 3, 2001, approximately $20.8 million was available pursuant to such facility. The interest rate during the term of the facility will be based on the bank's Reference Rate plus an applicable margin of up to 0.25% or Eurodollar rate plus an applicable margin of up to 2.50%. As of February 3, 2001, the interest rate was 8.5%.

Between October 4, 2000 and November 14, 2000 Gymboree entered into a series of amendments to the existing secured facility with Fleet Retail Finance, Inc. that increased the overall credit line to $87.5 million and reduced certain applicable reserves. The credit line and applicable reserves have since returned to original levels.

In addition, on August 24, 2000, Gymboree obtained a three-year term loan for $7 million with Back Bay Capital Funding LLC with an annual interest rate of 16%. Both the credit facility and term loan are secured by a blanket lien on merchandise inventories and other assets.

During fiscal 1998, Gymboree issued two promissory notes totaling $12 million both secured by our distribution center in Dixon, California. The first note of approximately $3.1 million bears interest at 8.7% and is due October 2005. The second note of approximately $8.9 million bears interest at 8.9% and is due January, 2009. Interest on the promissory notes is payable monthly. During fiscal 2000, Gymboree prepaid principal of approximately $172,000 on the first note and $577,000 on the second note. The promissory notes contain certain financial covenants, which require Gymboree to maintain a minimum tangible net worth and meet certain ratios. As of February 3, 2001, Gymboree was not in compliance with the minimum fixed charge ratio covenant. The bank waived non-compliance with such covenant.

Aggregate principal payments required under all borrowings are as follows:

(In thousands)	
2001	$16,859
2002	685
2003	7,741
2004	801
2005	644
Later years	6,572
Total	$33,302

Total interest expense charged to operations during fiscal 2000, 1999 and 1998 totaled approximately $1.8 million, $0.9 million and $0.5 million, respectively.

7 Accrued Liabilities

Accrued liabilities consist of the following:

(In thousands)	February 3, 2001	January 29, 2000
Employee compensation	$ 6,887	$ 6,445
Store operating expenses and other	4,385	7,724
Income tax payable	3,807	3,176
Store credits and gift certificates	2,848	4,284
Sales taxes	1,418	1,292
Percentage rent	194	354
Total	$19,539	$23,275

8 Income Taxes

The provision (benefit) for income taxes consists of the following:

(In thousands)	2000	1999	1998
Current:			
Federal	$(6,434)	$ (32)	$3,073
State taxes	938	315	148
Foreign	173	226	230

Total current	(5,323)	509	3,451
Deferred:			
Federal	(16,812)	(5,787)	62
State	(945)	(1,357)	152
Total deferred	(17,757)	(7,144)	214
Total provision (benefit)	$(23,080)	$(6,635)	$3,665

A reconciliation of the statutory federal income tax rate with Gymboree's effective income tax rate is as follows:

	2000	1999	1998
Statutory federal rate	35.0%	35.0%	35.0%
State income taxes, net of income tax benefit	3.3	4.0	4.0
Other	0.2	(0.5)	(2.0)
Effective tax rate	38.5%	38.5%	37.0%

Deferred income taxes reflect the impact of "temporary differences" between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Temporary differences and carry-forwards, which give rise to deferred tax assets and liabilities, are as follows:

(In thousands)	February 3, 2001	January 29, 2000
Deferred tax assets:		
Uniform capitalization costs	$ 1,409	$ 850
Accrued reserves	5,568	2,715
Deferred rent	3,457	4,288
Net operating loss carryovers	20,855	4,471
Other	1,210	1,301
	32,499	13,625
Deferred tax liability:		
Prepaid expenses	(495)	(346)
State taxes	(591)	(313)
Fixed asset basis differences	(5,689)	(7,999)
	(6,775)	(8,658)
Total	$ 25,724	$ 4,967
Valuation Allowance	(3,000)	0
Net deferred tax assets	$ 22,724	$ 4,967

As of February 3, 2001, Gymboree has federal and state net operating loss carryovers of approximately $47.7 million and $77.6 million, respectively. These net operating loss carryovers will expire between 2003 and 2020. Gymboree also has a federal AMT credit of approximately $1.1 million which does not expire. Using its best estimates, Gymboree has established a valuation allowance of $3 million at February 3, 2001, on certain of its state deferred tax assets as it is not likely that they will be realized. The extent to which the loss carryforwards can be used to offset future taxable income may be limited, depending on the extent of ownership changes.

9 Stockholder's Equity

Private Placement

During fiscal 2000, Gymboree issued 3,198,670 shares of common stock at $2.97 per share, resulting in proceeds of approximately $9.5 million, net of issuance costs. In connection with this issuance, the purchasers received warrants to purchase 479,803 shares of Gymboree stock at $2.97 per share. These warrants are exercisable over three years. Total Gymboree shares issued to related parties under this offering totaled 2,222,222, with warrants to purchase 333,334 shares.

Stock Plans

Stock Option Plans

Gymboree's 1983 Incentive Stock Option Plan (the "1983 Plan") and 1993 Stock Option Plan (the "1993 Plan") provide for grants to team members of incentive stock options within the meaning of Section 422 of the Internal Revenue Code and for grants of non-statutory stock options and stock purchase rights to team members, consultants and non-employee directors of Gymboree. There are 3,600,000 shares of common stock reserved for issuance under the 1983 Plan and 6,025,000 shares of common stock reserved for issuance under the 1993 Plan, which includes 2,000,000 shares approved during the year ended January 29, 2000. Options granted pursuant to the plans have been granted at exercise prices equal to the fair market value of common stock on the date of grant. The options have a term of either five or ten years and generally vest over a four year period. No further options may be granted under the 1983 Plan. There were 805,349 and 1,612,209 shares available for the grant of options under the 1993 Plan at February 3, 2001 and January 29, 2000, respectively. The following summarizes all stock option transactions for the three years ended February 3, 2001:

(Shares in thousands)	Shares Outstanding	Weighted Average Price Per Share
Balance, January 31, 1998	2,325	$22.11
Options granted	1,610	17.52
Options exercised	(131)	13.25
Options canceled	(938)	21.60
Balance, January 30, 1999	2,866	$20.16
Options granted	1,396	8.46
Options exercised	(41)	3.45
Options canceled	(913)	19.15
Balance, January 29, 2000	3,308	$15.57
Options granted	3,184	5.19
Options exercised	(320)	5.57
Options canceled	(2,312)	13.59
Balance, February 3, 2001	3,860	$ 8.83

The following table summarizes information about stock options outstanding at February 3, 2001:

Options Outstanding				Options Exercisable (Vested)	
Range of Exercisable Prices	Number of Shares	Weighted Average Remaining Life (in years)	Weighted Average Exercise Price	Number Exercisable at 2/3/01	Weighted Average Exercise Price
$ 0.17 to $ 2.81	88,675	8.38	$ 2.66	18,472	$ 2.09
$ 2.84 to $ 3.75	1,265,824	9.04	$ 3.73	300,481	$ 3.75
$ 3.94 to $ 8.25	1,467,373	9.43	$ 7.05	114,380	$ 6.63

$ 8.38 to $ 36.63	1,038,303	6.14	$18.20	737,694	$20.28
$ 0.17 to $ 36.63	3,860,175	8.40	$ 8.86	1,171,027	$14.43

1993 Employee Stock Purchase Plan

We have reserved a total of 600,000 shares of common stock for issuance under the 1993 Employee Stock Purchase Plan (the "Purchase Plan"). The price at which stock is purchased under the Purchase Plan is equal to 85% of the fair market value of the common stock on the first day of the applicable offering period or the last day of the applicable purchase period, whichever is lower. Unless terminated earlier, the Purchase Plan will terminate in 2013. There were 119,186, 120,040, and 94,232 shares issued under the Purchase Plan in 2000, 1999, and 1998, respectively. For purposes of determining the pro forma earnings per share for the Purchase Plan, the fair value of the employee's purchase rights was estimated using the Black-Scholes option pricing model; using the following assumptions: (i.) dividend yield of 0.0%, (ii.) expected volatility of 93.34%, (iii.) risk-free interest rate of 6.1% and (iv.) expected life of 1 year.

Additional Stock Plan Information

Gymboree applies APB Opinion No. 25 and related interpretations in accounting for our three stock-based compensation plans, described above. Accordingly, no compensation expense has been recognized for our stock option plans and our employee stock purchase plan. Had compensation expense or income for our stock option plans and the Purchase Plan been determined based on thefair value at the grant dates for awards under these plans, consistent with the method of SFAS No.123, "Accounting for Stock-Based Compensation," our net income (loss) and income (loss) per share would have been the pro forma amounts indicated below:

		Year Ended		
(In thousands, except per share data)		February 3, 2001	January 29, 2000	January 30, 1999
Net income (loss)	As reported	$ (36,868)	$ (10,600)	$ 6,241
	Pro forma	(35,708)	(14,586)	1,805
Basic income (loss) per share	As reported	$ (1.38)	$ (0.44)	$ 0.26
	Pro forma	(1.34)	(0.60)	0.07
Diluted income (loss) per share	As reported	$ (1.38)	$ (0.44)	$ 0.26
	Pro forma	(1.34)	(0.60)	0.07

The per share weighted average fair value of options granted during 2000, 1999, and 1998 were $5.22, $8.43 and $8.53 per share, respectively. The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended		
(In thousands)	February 3, 2001	January 29, 2000	January 30, 1999
Expected dividend rate	0.0%	0.0%	0.0%
Expected volatility	93.3%	73.5%	70.9%
Risk-free interest rate	6.1%	5.3%	5.1%
Expected lives (yrs.)	3.0	3.0	3.0

Stockholder Rights Plan

Gymboree has adopted a Stockholder Rights Plan (the "Plan") which provides a dividend of one right for each outstanding share of Gymboree's common stock. The rights are represented by and traded with Gymboree's common stock. There are no separate certificates or markets for the rights.

The rights do not become exercisable or trade separately from the common stock unless 17.5% or more of the common stock of Gymboree has been acquired, or after a tender or exchange offer is made for 17.5% or greater ownership of Gymboree's common stock. Should the rights become exercisable, each right will entitle the holder thereof to buy 1/1,000th of a share of our Series A Preferred Stock at an exercise price of $125. Each 1/1,000th of a share of the new Series A Preferred Stock will essentially be the economic equivalent of one share of common stock.

Under certain circumstances, the rights "flip-in" and become rights to buy Gymboree's common stock at a 50% discount. Under certain other circumstances, the rights "flip-over" and become rights to buy an acquirer's common stock at a 50% discount.

The rights may be redeemed by Gymboree for $0.01 per right at any time on or prior to the fifth day (or a later date as determined by the Board of Directors) following the first public announcement by Gymboree of the acquisition of beneficial ownership of 17.5% of our common stock.

Stock Repurchase

During fiscal 1998, we repurchased 1,922,000 shares for an aggregate amount of $49,646,000. During fiscal 2000 and 1999, there were no shares repurchased by Gymboree.

10 401(k) Plan

Gymboree maintains a voluntary defined contribution 401(k) profit sharing plan (the "Plan") covering all team members who have met certain service and eligibility requirements. Employees may elect to contribute up to 20% of their compensation to the Plan, not to exceed the dollar limit set by law. Gymboree matches $0.50 to the Plan for each $1.00 contributed by a team member, up to a maximum Gymboree contribution of $500 per team member per year. Matching contributions to the Plan totaled $267,000, $217,000 and $170,000 in 2000, 1999, and 1998, respectively.

11 Quarterly Financial Information (Unaudited)

The quarterly financial information presented below reflects all adjustments which, in the opinion of our management, are of a normal and recurring nature necessary to present fairly the results of operations for the periods presented.

	2000 Quarter Ended			
(In thousands, except per share amounts and store data)	April 29, 2000	July 29, 2000	October 28, 2000	February 3, 2001
Net sales	$ 100,632	$ 82,766	$ 111,881	$ 153,328
Gross profit	20,527	13,633	35,865	54,624
Operating loss	(22,453)	(27,825)	(6,938)	(991)(1)
Net loss	(13,763)	(17,108)	(4,828)	(1,169)(1)
Basic loss income per share	$ (0.56)	$ (0.64)	$ (0.17)	$ (0.04)(1)
Diluted loss per share	$ (0.56)	$ (0.64)	$ (0.17)	$ (0.04)(1)
Stores at end of period	605	600	604	599

	1999 Quarter Ended			
(In thousands, except per share amounts and store data)	May 1, 1999	July 31, 1999	October 30, 1999	January 29, 2000
Net sales	$125,711	$ 99,922	$ 107,235	$ 104,208
Gross profit	49,187	29,692	41,111	35,813
Operating income (loss)	7,394	(15,008)(2)	(1,140)	(9,303)
Net income (loss)	4,785	(9,420)(2)	(667)	(5,298)
Basic income (loss) per share	$ 0.20	$ (0.39)(2)	$ (0.03)	$ (0.22)
Diluted income (loss) per share	$ 0.20	$ (0.39)(2)	$ (0.03)	$ (0.22)
Stores at end of period	584	588	602	605

(1) Includes a loss of $5.0 million ($3.1 million net of tax or $0.12 per share) related to the disposition of Zutopia.

(2) Includes a loss of $6.9 million ($4.2 million net of tax or $0.17 per share) related principally to the implementation of a brand change.

INDEPENDENT AUDITORS' REPORT
The Board of Directors and Stockholders of
The Gymboree Corporation:

We have audited the accompanying consolidated balance sheets of The Gymboree Corporation and subsidiaries ("Gymboree") as of February 3, 2001 and January 29, 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three fiscal years in the period ended February 3, 2001. These financial statements are the responsibility of Gymboree's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Gymboree Corporation and subsidiaries as of February 3, 2001 and January 29, 2000, and the results of their operations and their cash flows for each of the three fiscal years in the period ended February 3, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

San Francisco, California
April 16, 2001

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is incorporated herein by reference to the sections entitled "Election of Directors - Nominees" and "Additional Information-Section 16 (a) Beneficial Ownership Reporting Compliance" in the Proxy Statement. See also Item 1, "Business - Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

Additional information required by this item is incorporated herein by reference to the sections entitled "Election of Directors - Compensation of Directors," "Additional Information - Executive Compensation", "Additional Information - Employment Contracts and Termination of Employment and Change-in-Control Arrangements" and "Additional Information - Compensation Committee Interlocks and Insider Participation" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated herein by reference to the section entitled "Additional Information - Security Ownership" in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the sections entitled "Additional Information - Certain Relationships and Related Transactions" in the Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, AND REPORTS ON FORM 8-K

(A)(1) FINANCIAL STATEMENTS

The following documents are filed as a part this Annual Report on Form 10-K.

Consolidated Balance Sheets as of February 3, 2001 and January 29, 2000

Consolidated Statements of Operations for each of the three fiscal years ended February 3, 2001

Consolidated Statements of Cash Flows for each of the three fiscal years ended February 3, 2001

Consolidated Statements of Stockholders' Equity for each of the three fiscal years ended February 3, 2001

Notes to Consolidated Financial Statements

Independent Auditors' Report

(A)(2) FINANCIAL STATEMENT SCHEDULES

Financial statement schedules have been omitted because they are not required or are not applicable.

(A)(3) EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Registrant. (1)
3.2	Bylaws of Registrant. (1)
3.3	Amended and Restated Bylaws of Registrant. (9)
4.1	Article III of Restated Certificate of Incorporation of Registrant (See Exhibit 3.1). (1)
4.2	Form of certificate for Common Stock. (1)
4.3	Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Stock of Registrant. (2)
4.4	Preferred Stock Rights Agreement, dated as of March 17, 1997, between Registrant and The First National Bank of Boston, including the Certificate of Designation, the form of Rights Certificate and the Summary of Rights attached thereto as Exhibits A, B and C, respectively. (2)
10.1*	1983 Incentive Stock Option Plan, with form of stock Option Agreement. (1)
10.3*	1993 Employee Stock Purchase Plan. (1)
10.6	Amended Lease Agreement for 700 Airport Blvd., Suite 200, Burlingame, California. (3)
10.7	Amended Lease Agreement for distribution center. (4)
10.8	California Uniform Franchise Offering Circular, including form of Franchise Agreement. (1)
10.12	Lease Agreement for 770 Airport Blvd., Burlingame, CA. (5)
10.13*	Deferred Compensation Agreement. (5)
10.14	Lease Agreement for Bays 140-141, Shannon Free Zone, Shannon, Ireland, dated May 6, 1997. (6)
10.15	Lease Agreement for 111 Anza Blvd., Burlingame, CA dated January 8, 1998. (6)
10.22	Acquisition and Development Agreement for Dixon, California Distribution Facility with Carl D. Panattoni and Wickland Properties, dated November, 1996. (6)
10.23	Standard Form of Contractor Agreement with DPR Construction, Inc. for construction of Dixon, California Distribution Facility dated May 5, 1997. (6)
10.26*	Management Change of Control Plan.(7)
10.27*	Management Severance Plan.(7)
10.28	Term Loan and Security Agreement with Transamerica Equipment Financial Services, Inc., dated December 28, 1998. (8)
10.29	Commitment Letter for the Amended and Restated Line of Credit Agreement with Bank of America, dated March 11, 1999. (8)
10.31*	Amended and Restated 1993 Stock Option Plan, with form of Stock Option Agreement, amended and restated as of November 11, 1998.

10.33	Credit Agreement with Bank of America, dated August 25, 1999. (9)
10.34	Secured Credit Agreement with Fleet Retail Finance, Inc., dated August 24, 2000. (10)
10.35	Amended Term Loan and Security Agreement with Transamerica Equipment Financial Services, Inc., dated August 30, 2000. (10)
10.36	First Amendment to Secured Credit Agreement with Fleet Retail Finance, Inc., dated October 9, 2000. (11)
10.37	Second Amendment to Secured Credit Agreement with Fleet Retail Finance, Inc., dated October 30, 2000. (11)

10.38	Third Amendment to Secured Credit Agreement with Fleet Retail Finance, Inc., dated November 14, 2000. (11)
10.39	Form of Common Stock Purchase Agreement, dated May 2000, between Registrant and the Investors.
10.40	Form of Warrant, dated May 2000, between the Registrant and the Investors.
10.41	Form of Investor Rights Agreement, dated May 2000, between Registrant and the Investors.
10.42	Form of Amendment to Warrant to Purchase Common Stock.
10.43	Corporate Lease.
10.44*	Management Severance Plan Effective September, 2000.
21.1	Subsidiaries of the Registrant.
23.1	Independent Auditors' Consent.
24.1	Power of Attorney (included in Part IV of this Form 10-K under the caption "Signatures").

10 REPORTS ON FORM 8-K

None.

(1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 filed with the Commission on February 18, 1993 (File No. 33-58322), as amended.

(2) Incorporated by reference to Exhibits 3 and 5, respectively, to the Registrant's Registration Statement on Form 8-A filed with the Commission on March 20, 1997 (file no. 000-21250).

(3) Incorporated by reference to the Registrant's 1994 Annual Report on Form 10-K filed with the Commission on April 24, 1995.

(4) Incorporated by reference to the Registrant's 1995 Annual Report on Form 10-K filed with the Commission on May 2, 1996.

(5) Incorporated by reference to the Registrant's 1996 Annual Report on Form 10-K filed with the Commission on May 5, 1997.

(6) Incorporated by reference to the Registrant's 1997 Annual Report on Form 10-K filed with the Commission on April 20, 1998.

(7) Incorporated by reference to the Registrant's October 31, 1998 Quarterly Report on Form 10-Q ("1998 Q3 10-Q") filed with the Commission on December 21, 1998.

(8) Incorporated by reference to the Registrant's 1998 Annual Report on Form 10-K filed with the Commission on April 26, 1999.

(9) Incorporated by reference to the Registrant's July 31, 1999 Quarterly Report on Form 10-Q ("1999 Q2 10-Q") filed with the Commission on September 14, 1999 and the Registrant's Form 8-K filed with the Commission on September 8, 1999.

(10) Incorporated by reference to the corresponding exhibits to the Registrant's July 29, 2000 Quarterly Report on Form 10-Q ("2000 Q2 10-Q") filed with the Commission on September 12, 2000.

(11) Incorporated by reference to the corresponding exhibits to the Registrant's October 28, 2000 Quarterly Report on Form 10-Q ("2000 Q3 10-Q") filed with the Commission on December 12, 2000.

* Indicates management contracts or compensatory plans or arrangements required to be filed as exhibits to this report on Form 10-K.

THE GYMBOREE CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE GYMBOREE CORPORATION

May 3, 2001
(Date)

By: /s/ Lisa M. Harper
Lisa M. Harper
Chief Executive Officer and
Vice Chair of the Board

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS:

That the undersigned officers and directors of Gymboree Corporation, a Delaware corporation, do hereby constitute and appoint Stuart Moldaw the lawful attorney and agent, with power and authority to do any and all acts and things and to execute any and all instruments which said attorney and agent determine may be necessary or advisable or required to enable said corporation to comply with the Securities Exchange Act of 1934 and any rules or regulations or requirements of the Securities and Exchange Commission in connection with this Form 10-K. Without limiting the generality of the foregoing power and authority, the powers granted include the power and authority to sign the names of the undersigned officers and directors in the capacities indicated below to this Form 10-K, to any and all amendments and supplements to this Form 10-K, and to any and all instruments or documents filed as part of or in conjunction with this Form 10-K or amendments or supplements thereof, and each of the undersigned hereby ratifies and confirms all that said attorney and agent shall do or cause to be done by virtue hereof. This Power of Attorney may be signed in several counterparts.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney as of the date indicated.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

NAME	TITLE	DATE
/s/ Stuart Moldaw Stuart Moldaw	Chairman of the Board of Directors	May 3, 2001
/s/ Alison L. May Alison L. May	Executive Vice President and Chief Operating Officer (Principal Financial and Accounting Officer)	May 3, 2001
/s/ Walter F. Loeb Walter F. Loeb	Director	May 3, 2001
/s/ Barbara L. Rambo Barbara L. Rambo	Director	May 3, 2001
/s/ Lisa M. Harper Lisa M. Harper	Chief Executive Officer and Vice Chair of the Board	May 3, 2001

/s/ John C. Pound John C. Pound		Director	May 3, 2001
/s/ William U. Westerfield William U. Westerfield		Director	May 3, 2001
/s/ Michael Steinberg Michael Steinberg		Director	May 3, 2001

THE GYMBOREE CORPORATION

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Registrant. (1)
3.2	Bylaws of Registrant. (1)
3.3	Amended and Restated Bylaws of Registrant. (9)
4.1	Article III of Restated Certificate of Incorporation of Registrant (See Exhibit 3.1). (1)
4.2	Form of certificate for Common Stock. (1)
4.3	Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Stock of Registrant. (2)
4.4	Preferred Stock Rights Agreement, dated as of March 17, 1997, between Registrant and The First National Bank of Boston, including the Certificate of Designation, the form of Rights Certificate and the Summary of Rights attached thereto as Exhibits A, B and C, respectively. (2)
10.1*	1983 Incentive Stock Option Plan, with form of stock Option Agreement. (1)
10.3*	1993 Employee Stock Purchase Plan. (1)
10.6	Amended Lease Agreement for 700 Airport Blvd., Suite 200, Burlingame, California. (3)
10.7	Amended Lease Agreement for distribution center. (4)
10.8	California Uniform Franchise Offering Circular, including form of Franchise Agreement. (1)
10.12	Lease Agreement for 770 Airport Blvd., Burlingame, CA. (5)
10.13*	Deferred Compensation Agreement. (5)
10.14	Lease Agreement for Bays 140-141, Shannon Free Zone, Shannon, Ireland, dated May 6, 1997. (6)
10.15	Lease Agreement for 111 Anza Blvd., Burlingame, CA dated January 8, 1998. (6)
10.22	Acquisition and Development Agreement for Dixon, California Distribution Facility with Carl D. Panattoni and Wickland Properties, dated November, 1996. (6)
10.23	Standard Form of Contractor Agreement with DPR Construction, Inc. for construction of Dixon, California Distribution Facility dated May 5, 1997. (6)
10.26*	Management Change of Control Plan.(7)
10.27*	Management Severance Plan.(7)
10.28	Term Loan and Security Agreement with Transamerica Equipment Financial Services, Inc., dated December 28, 1998. (8)

10.29	Commitment Letter for the Amended and Restated Line of Credit Agreement with Bank of America, dated March 11, 1999. (8)
10.31*	Amended and Restated 1993 Stock Option Plan, with form of Stock Option Agreement, amended and restated through December 31, 2000.
10.33	Credit Agreement with Bank of America, dated August 25, 1999. (9)
10.34	Secured Credit Agreement with Fleet Retail Finance, Inc., dated August 24, 2000. (10)
10.35	Amended Term Loan and Security Agreement with Transamerica Equipment Financial Services, Inc., dated August 30, 2000. (10)
10.36	First Amendment to Secured Credit Agreement with Fleet Retail Finance, Inc., dated October 9, 2000. (11)
10.37	Second Amendment to Secured Credit Agreement with Fleet Retail Finance, Inc., dated October 30, 2000. (11)
10.38	Third Amendment to Secured Credit Agreement with Fleet Retail Finance, Inc., dated November 14, 2000. (11)
10.39	Form of Common Stock Purchase Agreement, dated May 2000, between Registrant and the Investors.
10.40	Form of Common Stock Purchase Warrant, dated May 2000, between the Registrant and the Investors.
10.41	Form of Investor Rights Agreement, dated May 2000, between Registrant and the Investors.
10.42	Form of Amendment to Warrant to Purchase Common Stock.
10.43	Corporate Lease.
10.44*	Management Severance Plan, Effective September, 2000.
21.1	Subsidiaries of the Registrant.
23.1	Independent Auditors' Consent.
24.1	Power of Attorney (included in Part IV of this Form 10-K under the caption "Signatures").

(1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 filed with the Commission on February 18, 1993 (File No. 33-58322), as amended.

(2) Incorporated by reference to Exhibits 3 and 5, respectively, to the Registrant's Registration Statement on Form 8-A filed with the Commission on March 20, 1997 (file no. 000-21250).

(3) Incorporated by reference to the Registrant's 1994 Annual Report on Form 10-K filed with the Commission on April 24, 1995.

(4) Incorporated by reference to the Registrant's 1995 Annual Report on Form 10-K filed with the Commission on May 2, 1996.

(5) Incorporated by reference to the Registrant's 1996 Annual Report on Form 10-K filed with the Commission on May 5, 1997.

(6) Incorporated by reference to the Registrant's 1997 Annual Report on Form 10-K filed with the Commission on April 20, 1998.

(7) Incorporated by reference to the Registrant's October 31, 1998 Quarterly Report on Form 10-Q ("1998 Q3 10-Q") filed with the Commission on December 21, 1998.

(8) Incorporated by reference to the Registrant's 1998 Annual Report on Form 10-K filed with the Commission on April 26, 1999.

(9) Incorporated by reference to the Registrant's July 31, 1999 Quarterly Report on Form 10-Q ("1999 Q2 10-Q") filed with the Commission on September 14, 1999 and the Registrant's Form 8-K filed with the Commission on September 8, 1999.

(10) Incorporated by reference to the corresponding exhibits to the Registrant's July 29, 2000 Quarterly Report on Form 10-Q ("2000 Q2 10-Q") filed with the Commission on September 12, 2000.

(11) Incorporated by reference to the corresponding exhibits to the Registrant's October 28, 2000 Quarterly Report on Form 10-Q ("2000 Q3 10-Q") filed with the Commission on December 12, 2000.

* Indicates management contracts or compensatory plans or arrangements required to be filed as exhibits to this report on Form 10-K.

Exhibit 10.31

THE GYMBOREE CORPORATION

1993 STOCK OPTION PLAN
(AS AMENDED AND RESTATED THROUGH DECEMBER 31, 2000)

1. *Purposes of the Plan*. The purposes of this Stock Option Plan are:

   - to attract and retain the best available personnel for positions of substantial responsibility,
   - to provide additional incentive to Employees, Consultants and Outside Directors, and
   - to promote the success of the Company's business.

Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant. Stock Purchase Rights may also be granted under the Plan. The Plan also provides for automatic grants of Nonstatutory Stock Options to Outside Directors.

2. *Definitions*. As used herein, the following definitions shall apply:

(a) *"Administrator"* means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) *"Applicable Laws"* means the legal requirements relating to the administration of stock option plans under state corporate and securities laws and the Code.

(c) *"Board"* means the Board of Directors of the Company.

(d) *"Code"* means the Internal Revenue Code of 1986, as amended.

(e) *"Committee"* means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(f) *"Common Stock"* means the Common Stock of the Company.

(g) *"Company"* means The Gymboree Corporation, a Delaware corporation.

(h) *"Consultant"* means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services and who is compensated for such services, provided that the term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(i) *"Continuous Status as an Employee, Consultant or Outside Director"* means that the employment, consulting or Outside Director relationship is not interrupted or terminated by the Company, any Parent or Subsidiary. Continuous Status as an Employee, Consultant or Outside Director shall not be considered interrupted in the case of: (i) any leave of absence approved by the Administrator, including sick leave, military leave, or any other personal leave; provided, however, that for purposes of Incentive Stock Options, any such leave may not exceed ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract (including certain Company policies) or statute; or (ii) transfers between locations of the Company or between the Company, its Parent, its Subsidiaries or its successor.

(j) *"Director"* means a member of the Board.

(k) *"Disability"* means total and permanent disability as defined in Section 22(e)(3) of the Code.

(l) *"Employee"* means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(m) *"Exchange Act"* means the Securities Exchange Act of 1934, as amended.

(n) *"Fair Market Value"* means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, the Fair Market Value of a Share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such system or exchange (or the exchange with the greatest volume of trading in Common Stock) on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is quoted on the NASDAQ System (but not on the National Market System thereof) or is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(o) *"Incentive Stock Option"* means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(p) *"Nonstatutory Stock Option"* means an Option not intended to qualify as an Incentive Stock Option.

(q) *"Notice of Grant"* means a written notice evidencing certain terms and conditions of an individual Option or Stock Purchase Right grant. The Notice of Grant is part of the Option Agreement.

(r) *"Officer"* means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(s) *"Option"* means a stock option granted pursuant to the Plan.

(t) *"Option Agreement"* means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(u) *"Optioned Stock"* means the Common Stock subject to an Option or Stock Purchase Right.

(v) *"Optionee"* means an Employee, Consultant or Outside Director who holds an outstanding Option or Stock Purchase Right.

(w) *"Outside Director"* shall mean a member of the Board who is not an Employee or a Consultant.

(x) *"Parent"* means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(y) *"Plan"* means The Gymboree Corporation 1993 Stock Option Plan.

(aa) *"Stock Purchase Right Agreement"* means a written agreement between the Company and the Optionee evidencing the terms and restrictions applying to stock purchased under a Stock Purchase Right. The Stock Purchase Right Agreement is subject to the terms and conditions of the Plan and the Notice of Grant.

(bb) *"Rule 16b-3"* means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(cc) *"Share"* means a share of the Common Stock, as adjusted in accordance with Section 13 of the Plan.

(dd) *"Stock Purchase Right"* means the right to purchase Common Stock pursuant to Section 11 of the Plan, as evidenced by a Notice of Grant.

(ee) *"Subsidiary"* means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. *Stock Subject to the Plan*. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 6,025,000 Shares of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock. However, should the Company reacquire Shares which were issued pursuant to the exercise of an Option or Stock Purchase Right, such Shares shall not become available for future grant under the Plan.

If an Option or Stock Purchase Right expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant under the Plan (unless the Plan has terminated).

4. *Administration of the Plan*.

(a) *Procedure*.

(i) *Multiple Administrative Bodies*. The Plan may be administered by different Committees with respect to different groups of persons providing services to the Company.

(ii) *Section 162(m).*To the extent that the Administrator determines it to be desirable to qualify Options granted hereunder as "performance-based compensation" within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.

(iii) *Rule 16b-3*.To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.

(iv) *Other Administration.*Other than as provided above, the Plan shall be administered by (A) the Board or (B) a Committee, which committee shall be constituted to satisfy Applicable Laws.

(b) *Powers of the Administrator*. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(n) of the Plan;

(ii) to select the Consultants and Employees to whom Options and Stock Purchase Rights may be granted hereunder;

(iii) to determine whether and to what extent Options and Stock Purchase Rights or any combination thereof, are granted hereunder;

(iv) to determine the number of shares of Common Stock to be covered by each Option and Stock Purchase Right granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions may include, but are not limited to, the exercise price, the time or times when Options or Stock Purchase Rights may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or Stock Purchase Right or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vii) to determine whether, to what extent and under what circumstances Common Stock and other amounts payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount (if any) of any deemed earnings on any deferred amount during any deferral period);

(viii) to construe and interpret the terms of the Plan;

(ix) to prescribe, amend and rescind rules and regulations relating to the Plan;

(x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option or Stock Purchase Right previously granted by the Administrator;

(xi) to determine the terms and restrictions applicable to Options and Stock Purchase Rights; and

(xii) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option or Stock Purchase Right that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by an Optionee to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Optionees and any other holders of Options or Stock Purchase Rights.

5. *Eligibility*.

(a) Stock Purchase Rights and Options may be granted to Employees, Consultants and Outside Directors provided that (i) Incentive Stock Options may only be granted to Employees and (ii) only Options may be granted to Outside Directors, and such grants may only be made in accordance with the provisions of Section 5(b) hereof. Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. Subject to Section 5(b) with respect to Outside Directors, an Employee or Consultant who has been granted an Option or Stock Purchase Right may, if such Employee or Consultant is otherwise eligible, be granted additional Option(s) or Stock Purchase Right(s).

(b) All grants of Options to Outside Directors under this Plan shall be automatic and non-discretionary (except as set forth in this Section 5(b)) and shall be made strictly in accordance with the following provisions:

(i) On the date first elected to the Board of Directors and on such date each year thereafter during the term of this Plan, each Outside Director shall automatically receive an Option to purchase 2,500 Shares. Also, on each anniversary of such person's election to the Board of Directors, each Outside Director who is then the chairperson of a committee shall receive an Option to purchase 500 Shares. In addition, each Outside Director who is an Outside Director on the date on which this Plan becomes effective shall automatically receive an Option to purchase 15,000 Shares.

(ii) The terms of an Option granted pursuant to this Section 5(b) shall be as follows:

(A) the term of the Option shall be ten (10) years;

(B) except as provided in Section 10 of this Plan, the Option shall be exercisable only while the Outside Director remains a Director;

(C) the exercise price per share of Common Stock shall be 100% of the Fair Market Value on the date of grant of the Option;

(D) the Option shall become exercisable in installments cumulatively with respect to twenty-five percent (25%) of the Optioned Stock one year after the date of grant and as to an additional twenty-five percent (25%) of the Optioned Stock each year thereafter, so that one hundred percent (100%) of the Optioned Stock shall be exercisable four years after the date of grant; provided, however, that in no event shall any Option be exercisable prior to obtaining stockholder approval of the Plan.

(iii) The Board of Directors may make discretionary grants of Options to Outside Directors for a number of Shares not to exceed in the aggregate 15,000.

6. *Limitations*.

(a) Each Option shall be designated in the Notice of Grant as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value: (i) of Shares subject to an Optionee's incentive stock options granted by the Company, any Parent or Subsidiary, which (ii) become exercisable for the first time during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds $100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time of grant.

(b) Neither the Plan nor any Option or Stock Purchase Right shall confer upon an Optionee any right with respect to continuing the Optionee's employment relationship, consulting relationship or directorship with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such relationship at any time, with or without cause.

(c) The following limitations shall apply to grants of Options:

(i) No Employee shall be granted, in any fiscal year of the Company, Options to purchase more than 400,000 Shares.

(ii) In connection with his or her initial service, an Employee may be granted Options to purchase up to an additional 400,000 Shares which shall not count against the limit set forth in subsection (i) above.

(iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 13.

7. *Term of Plan*. Subject to Section 19 of the Plan and any resolution of the Board of Directors concerning effectiveness, the Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the stockholders of the Company as described in Section 19 of the Plan. It shall continue in effect for a term of ten (10) years unless terminated earlier under Section 15 of the Plan.

8. *Term of Option*. The term of each Option shall be stated in the Notice of Grant; provided, however, that in the case of an Incentive Stock Option, the term shall be ten (10) years from the date of grant or such shorter term as may be provided in the Notice of Grant. However, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Notice of Grant.

9. *Option Exercise Price and Consideration*.

(a) *Exercise Price*. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant; provided, however, that the per exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant if the Option is expressly granted at a discount in lieu of a reasonable amount of salary or cash bonus.

(b) *Waiting Period and Exercise Dates*. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In so doing, the Administrator may specify that an Option may not be exercised until the completion of a service period.

(c) *Form of Consideration*. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which (A) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(v) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;

(vi) any combination of the foregoing methods of payment; or

(vii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. *Exercise of Option*.

(a) *Procedure for Exercise; Rights as a Stockholder*. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 13 of the Plan. Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) *Termination of Employment Relationship, Consulting Relationship or Directorship*. In the event that an Optionee's Continuous Status as an Employee, Consultant or Outside Director terminates (other than upon the Optionee's death or Disability), the Optionee may exercise his or her Option, but only within such period of time as is determined by the Administrator, and only to the extent that the Optionee was entitled to exercise it at the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). In the case of an Incentive Stock Option, the Administrator shall determine such period of time (in no event to exceed ninety (90) days from the date of termination) when the Option is granted. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified by the Administrator, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) *Disability of Optionee*. In the event that an Optionee's Continuous Status as an Employee, Consultant or Outside Director terminates as a result of the Optionee's Disability, the Optionee may exercise his or her Option at any time within twelve (12) months from the date of such termination, but only to the extent that the Optionee was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) *Death of Optionee*. In the event of the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Optionee was entitled to exercise the Option at the date of death. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall immediately revert to the Plan.

11. *Stock Purchase Rights*.

(a) *Rights to Purchase*. An annual maximum of 200,000 Shares may be issued to Employees or Consultants pursuant to Stock Purchase Rights. Stock Purchase Rights may be granted either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing, by means of a Notice of Grant, of the terms, conditions and restrictions related to the offer, including the number of Shares that the offeree shall be entitled to purchase, the price to be paid (which price shall be no less than 100% of the Fair Market Value per Share on the date of grant; provided, however, that the price shall be no less than 85% of the Fair Market Value per Share on the date of grant if the Stock Purchase Right is expressly granted at a discount in lieu of a reasonable amount of salary or cash bonus), and the time within which the offeree must accept such offer, which shall in no event exceed six (6) months from the date upon which the Administrator made the determination to grant the Stock Purchase Right. The offer shall be accepted by execution of a Stock Purchase Right Agreement in the form determined by the Administrator.

(b) *Repurchase Option*. Unless the Administrator determines otherwise, the Stock Purchase Right Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's service with the Company for any reason (including death or Disability). The purchase price for Shares repurchased pursuant to the Stock Purchase Right Agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at a rate determined by the Administrator; provided, however, that in no event may the repurchase option lapse more quickly than ratably over the three (3) year period following the date of grant.

(c) *Other Provisions*. The Stock Purchase Right Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Stock Purchase Right Agreements need not be the same with respect to each purchaser.

(d) *Rights as a Stockholder*. Once the Stock Purchase Right is exercised, the purchaser shall have the rights equivalent to those of a stockholder, and shall be a stockholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 13 of the Plan.

12. *Non-Transferability of Options and Stock Purchase Rights.* Unless determined otherwise by the Administrator, an Option or Stock Purchase Right may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. If the Administrator makes an Option or Stock Purchase Right transferable, such Option or Stock Purchase Right shall contain such additional terms and conditions as the Administrator deems appropriate.

13. Adjustments Upon Changes in Capitalization, Dissolution, Merger, Asset Sale or Change of Control.

(a) *Changes in Capitalization*. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Option and Stock Purchase Right, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options or Stock Purchase Rights have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option or Stock Purchase Right, as well as the price per share of Common Stock covered by each such outstanding Option or Stock Purchase Right, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option or Stock Purchase Right.

(b) *Dissolution or Liquidation*. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option or Stock Purchase Right has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Option or Stock Purchase Right shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his or her Option or Stock Purchase Right as to all or any part of the Optioned Stock, including Shares as to which the Option or Stock Purchase Right would not otherwise be exercisable.

(c) *Merger or Asset Sale*. Subject to the provisions of paragraph (d) hereof, in the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option and Stock Purchase Right shall be assumed or an equivalent option or right shall be substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation does not agree to assume the Option or Stock Purchase Right or to substitute an equivalent option or right, the Administrator shall, in lieu of such assumption or substitution, provide for the Optionee to have the right to exercise the Option or Stock Purchase Right as to all of the Optioned Stock, including Shares as to which it would not otherwise be exercisable. If the Administrator makes an Option or Stock Purchase Right fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee that the Option or Stock Purchase Right shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option or Stock Purchase Right will terminate upon the expiration of such period. For the purposes of this paragraph, the Option or Stock Purchase Right shall be considered assumed if, following the merger or sale of assets, the option or right confers the right to purchase, for each Share of Optioned Stock subject to the Option or Stock Purchase Right immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation and the participant, provide for the consideration to be received upon the exercise of the Option or Stock Purchase Right, for each Share of Optioned Stock subject to the Option or Stock Purchase Right, to be solely common stock of the successor corporation or its Parent equal in Fair Market Value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

(d) *Change of Control*. In the event of a "Change of Control" of the Company, as defined in paragraph (e) below, the following acceleration and valuation provisions shall apply:

(i) Any Options and Stock Purchase Rights outstanding as of the date on which such Change of Control is determined to have occurred that are not yet exercisable and vested on such date shall become fully exercisable and vested;

(ii) To the extent that they are exercisable and vested, all outstanding Options and Stock Purchase Rights, unless otherwise determined by the Board at or after grant, shall be terminated in exchange for a cash payment at the Change of Control Price, reduced by the exercise price applicable to such Options or Stock Purchase Rights. These cash proceeds shall be paid to the Optionee or, in the event of death of an Optionee prior to payment, to the estate of the Optionee or to a person who acquired the right to exercise the Option or Stock Purchase Right by bequest or inheritance.

(e) *Definition of "Change of Control."* For purposes of this Section 13, a "Change of Control" means the happening of any of the following:

(i) When any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, a Subsidiary or a Company employee benefit plan, including any trustee of such plan acting as trustee) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; or

(ii) The stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve an agreement for the sale or disposition by the Company of all or substantially all the Company's assets; or

(iii) A change in the composition of the Board of Directors of the Company, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date the Plan is approved by the stockholders, or (B) are elected, or nominated for election, to the Board of Directors of the Company with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).

(f) *Change of Control Price*. For purposes of this Section 13, "Change of Control Price" shall be, as determined by the Board, (i) the highest Fair Market Value of a Share within the 60-day period immediately preceding the date of determination of the Change of Control Price by the Board (the "60-Day Period"), or (ii) the highest price paid or offered per Share, as determined by the Board, in any bona fide transaction or bona fide offer related to the Change of Control of the Company, at any time within the 60-Day Period, or (iii) such lower price as the Board, in its discretion, determines to be a reasonable estimate of the fair market value of a Share.

14. *Date of Grant*. The date of grant of an Option or Stock Purchase Right shall be, for all purposes, the date on which the Administrator makes the determination granting such Option or Stock Purchase Right, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

15. *Amendment and Termination of the Plan*.

(a) *Amendment and Termination*. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) *Stockholder Approval*. The Company shall obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws, including, without limitation, the requirements of any exchange or quotation system on which the Common Stock is listed or quoted.

(c) *Effect of Amendment or Termination*. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

16. *Conditions Upon Issuance of Shares*.

(a) *Legal Compliance*. Shares shall not be issued pursuant to the exercise of an Option or Stock Purchase Right unless the exercise of such Option or Stock Purchase Right and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) *Investment Representations*. As a condition to the exercise of an Option or Stock Purchase Right, the Company may require the person exercising such Option or Stock Purchase Right to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

17. *Inability to Obtain Authority*. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

18. *Reservation of Shares*. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

19. *Stockholder Approval*. Continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such stockholder approval shall be obtained in the manner and to the degree required under applicable federal and state law.

Exhibit 10.39

THE GYMBOREE CORPORATION COMMON STOCK PURCHASE AGREEMENT

This Common Stock Purchase Agreement (this "Agreement") is made and entered into as of May __, 2000, by and between The Gymboree Corporation, a Delaware corporation (the "Company"), and _____("Investor").

1. AGREEMENT TO PURCHASE AND SELL STOCK.

(a) Authorization. The Company's Board of Directors will, prior to the Closing, authorize the issuance, pursuant to the terms and conditions of this Agreement, of shares of Common Stock, in an amount equal to the number of Purchased Shares (as defined in Section 1(b)).

(b) Agreement to Purchase and Sell Securities. The Company hereby agrees to issue to the Investor at the Closing (as defined below), and the Investor hereby agrees to acquire from the Company at the Closing, _____ shares of Common Stock (collectively, the "Purchased Shares") at a purchase price of Two Dollars Ninety-Seven Cents ($2.97) per share (the "Purchase Price").

2. CLOSING. The purchase and sale of the Purchased Shares shall take place at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, California, at 10:00 a.m. California time, within three (3) business days after the conditions set forth in Sections 5 and 6 have been satisfied, or at such other time and place as the Company and the Investor mutually agree upon (which time and place are referred to in this Agreement as the "Closing"). At the Closing, the Company will deliver to each Investor the certificate representing the Purchased Shares against delivery to the Company by the Investor of the Purchase Price in cash paid by wire transfer of funds to the Company. Closing documents may be delivered by facsimile with original signature pages sent by overnight courier. The date of the Closing is referred to herein as the Closing Date.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to the Investor that the statements in this Section 3 are true and correct, except as set forth in the SEC Documents (as defined below):

(a) Organization Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority required to (a) carry on its business as presently conducted, and (b) enter into this Agreement and the other agreements, instruments and documents contemplated hereby, and to consummate the transactions contemplated hereby and thereby. The Company is qualified to do business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect. As used in this Agreement, "Material Adverse Effect" means a material adverse effect on, or a material adverse change in, or a group of such effects on or changes in, the business, operations, financial condition, results of operations, assets or liabilities of the applicable party and its subsidiaries, taken as a whole.

(b) Due Authorization. All corporate actions on the part of the Company necessary for the authorization, execution, delivery of, and the performance of all obligations of the Company under this Agreement and the authorization, issuance, reservation for issuance and delivery of all of the Purchased Shares being sold under this Agreement, and this Agreement constitutes, legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except (a) as may be limited by (i) applicable bankruptcy, insolvency, reorganization or others laws of general application relating to or affecting the enforcement of creditors' rights generally and (ii) the effect of rules of law governing the availability of equitable remedies and (b) as rights to indemnity or contribution may be limited under federal or state securities laws or by principles of public policy thereunder.

(c) Valid Issuance of Stock.

(i) Valid Issuance. The shares of Common Stock to be issued pursuant to this Agreement, will be, upon payment therefor by the Investor in accordance with this Agreement, duly authorized, validly issued, fully paid and non-assessable.

(ii) Compliance with Securities Laws. Assuming the correctness of the representations made by the Investor in Section 4 hereof, the Purchased Shares will be issued to the Investor in compliance with applicable exemptions from (i) the registration and prospectus delivery requirements of the Securities Act of 1933, as amended (the "Securities Act") and (ii) the registration and qualification requirements of all applicable securities laws of the states of the United States.

(d) Compliance with Law and Charter Documents. The Company is not in violation or default of any provisions of its Certificate of Incorporation or Bylaws, both as amended. The Company has complied in all respects and is in compliance with all applicable statutes, laws, rules, regulations and orders of the United States of America and all states thereof, foreign countries and other governmental bodies and agencies having jurisdiction over the Company's business or properties, except for any instance of non-compliance that has not had, and would not reasonably be expected to have, a Material Adverse Effect.

(e) SEC Documents.

(1) Reports. The Company has furnished to the Investor prior to the date hereof copies of its Annual Report on Form 10-K for the fiscal year ended January 29, 2000 ("Form 10-K "), and all other registration statements, reports and proxy statements filed by the Company with the Securities and Exchange Commission ("SEC") on or after January 29, 2000 (the Form 10-K and such registration statements, reports and proxy statements are collectively referred to herein as the "SEC Documents"). Each of the SEC Documents, as of the respective date thereof (or if amended or superseded by a filing prior to the Closing Date, then on the date of such filing), did not, and each of the registration statements, reports and proxy statements filed by the Company with the SEC after the date hereof and prior to the Closing will not, as of the date thereof (or if amended or superseded by a filing after the date of this Agreement, then on the date of such filing), contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(2) Financial Statements. The Company has provided the Investor with copies of its audited financial statements (the "Audited Financial Statements") for the fiscal year ended January 29, 2000 (the "Balance Sheet Date"). Since the Balance Sheet Date, the Company has duly filed with the SEC all registration statements, reports and proxy statements required to be filed by it under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Securities Act. The audited financial statements of the Company included in the SEC Documents filed prior to the date hereof fairly present, in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis, the financial position of the Company as at the dates thereof and the results of its operations and cash flows for the periods then ended.

(f) Full Disclosure. The information contained in this Agreement and the SEC Documents with respect to the business, operations, assets, results of operations and financial condition of the Company, and the transactions contemplated by this Agreement, are true and complete in all material respects and do not omit to state any material fact or facts necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4. REPRESENTATIONS, WARRANTIES AND CERTAIN AGREEMENTS OF THE INVESTOR. The Investor hereby represents and warrants to the Company, and agrees that:

(a) Authorization. The execution of this Agreement has been duly authorized by all necessary legal action on the part of the Investor. This Agreement constitutes the Investor's legal, valid and binding obligations, enforceable in accordance with their terms, except (a) as may be limited by (i) applicable bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting the enforcement of creditors'rights generally and (ii) the effect of rules of law governing the availability of equitable remedies and (b) as rights to indemnity or contribution may be limited under federal or state securities laws or by principles of public policy thereunder. The Investor has full corporate power and authority to enter into this Agreement.

(b) Purchase for Own Account. The Purchased Shares are being acquired for investment for the Investor's own account, not as a nominee or agent, and not with a view to the public resale or distribution thereof within the meaning of the Securities Act, and the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. The Investor also represents that it has not been formed for the specific purpose of acquiring the Purchased Shares.

(c) Investment Experience. The Investor understands that the purchase of the Purchased Shares involves substantial risk. The Investor has experience as an investor in securities of companies and acknowledges that it is able to fend for itself, can bear the economic risk of its investment in the Purchased Shares and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the Purchased Shares and protecting its own interests in connection with this investment.

(d) Accredited Investor Status. The Investor is an "accredited investor"within the meaning of Regulation D promulgated under the Securities Act.

(e) Restricted Securities. The Investor understands that the Purchased Shares to be purchased by the Investor hereunder are characterized as "restricted securities"under the Securities Act, inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under the Securities Act and applicable regulations thereunder such securities may be resold without registration under the Securities Act only in certain limited circumstances. The Investor is familiar with Rule 144 of the SEC, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act and understands that, except as provided in the Investor Rights Agreement (as defined in section 5(f) hereof), the Company is under no obligation to register any of the securities sold hereunder.

(f) Legends. The Investor agree that the certificates for the Purchased Shares shall bear the following legend:

> "The securities represented by this certificate have not been registered under the Securities Act of 1933 or with any state securities commission, and may not be transferred or disposed of by the holder in the absence of a registration statement which is effective under the Securities Act of 1933 and applicable state laws and rules, or, unless, immediately prior to the time set for transfer, such transfer may be effected without violation of the Securities Act of 1933 and other applicable state laws and rules."

In addition, the Investor agree that the Company may place stop transfer orders with its transfer agents with respect to such certificates. The appropriate portion of the legend and the stop transfer orders will be removed promptly upon delivery to the Company of such satisfactory evidence as reasonably may be required by the Company that such legend or stop orders are not required to ensure compliance with the Securities Act.

(g) Finder's Fee. Each Investor neither is nor will be obligated for any finder's or broker's fee or commission in connection with this transaction.

(h) Market Stand-Off. The Investor hereby agrees that from the date of the Closing to the date that is six (6) months after the Closing, the Investor shall not, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of any of the Purchased Shares. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Purchased Shares of the Investor (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

---

5. CONDITIONS TO THE INVESTOR'S OBLIGATIONS AT CLOSING. The obligations of the Investor under Sections l and 2 of this Agreement are subject to the fulfillment or waiver, on or before the Closing, of each of the following conditions:

(a) Representations and Warranties True. Each of the representations and warranties of the Company contained in Section 3 shall be true and correct in all material respects on and as of the date of the Closing, except as set forth in the SEC Documents, with the same effect as though such representations and warranties had been made as of the Closing.

(b) Performance. The Company shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing and shall have obtained all approvals, consents and qualifications necessary to complete the purchase and sale described herein.

(c) Securities Exemptions. The offer and sale of the Purchased Shares to the Investor pursuant to this Agreement shall be exempt from the registration requirements of the Securities Act and the registration and/or qualification requirements of all applicable state securities laws.

(d) Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to the Investor, and the Investor shall have received all such counterpart originals and certified or other copies of such documents as it may reasonably request.

(e) Nasdaq Requirements. All requirements of the Nasdaq National Market in connection with the transactions contemplated by this Agreement shall have been complied with by the Company.

(f) Investor Rights Agreement. The Company will have executed and delivered the Investor Rights Agreement substantially in the form attached to this Agreement as Exhibit A (the "Investor Rights Agreement").

6. CONDITIONS TO THE COMPANY'S OBLIGATIONS AT CLOSING. The obligations of the Company to the Investor under this Agreement are subject to the fulfillment or waiver, on or before the Closing, of each of the following conditions:

(a) Representations and Warranties True. The representations and warranties of the Investor contained in Section 4 shall be true and correct in all material respects on and as of the date hereof and on and as of the date of the Closing with the same effect as though such representations and warranties had been made as of the Closing.

(b) Performance. The Investor shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing and shall have obtained all approvals, consents and qualifications necessary to complete the purchase and sale described herein.

(c) Securities Exemptions. The offer and sale of the Purchased Shares to the Investor pursuant to this Agreement shall be exempt from the registration requirements of the Securities Act and the registration and/or qualification requirements of all applicable state securities laws.

(d) Payment of Purchase Price. The Investor shall have delivered to the Company the Purchase Price as specified in Section 1(b).

(e) Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto will be reasonably satisfactory in form and substance to the Company and to the Company's legal counsel, and the Company will have received all such counterpart originals and certified or other copies of such documents as it may reasonably request.

10. MISCELLANEOUS.

(a) Successors and Assigns. The terms and conditions of this Agreement will inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

(b) Governing Law. This Agreement will be governed by and construed under the internal laws of the State of California, without reference to principles of conflict of laws or choice of laws.

(c) Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

(d) Headings. The headings and captions used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. All references in this Agreement to sections, paragraphs, exhibits and schedules will, unless otherwise provided, refer to sections and paragraphs hereof and exhibits and schedules attached hereto, all of which exhibits and schedules are incorporated herein by this reference.

(e) Notices. Any notice required or permitted under this Agreement shall be given in writing, shall be effective when received, and shall in any event be deemed received and effectively given upon personal delivery to the party to be notified or three (3) business days after deposit with the United States Post Office, by registered or certified mail, postage prepaid, or one (1) business day after deposit with a nationally recognized courier service such as Federal Express for next business day delivery under circumstances in which such service guarantees next business day delivery, or one (1) business day after facsimile with copy delivered by registered or certified mail, in any case, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof or at such other address as the Investor or the Company may designate by giving at least ten (10) days advance written notice pursuant to this Section 10(e).

(f) No Finder's Fees. The Investor will indemnify and hold harmless the Company from any liability for any commission or compensation in the nature of a finders'or broker's fee for which the Investor or any of its officers, partners, employees or consultants, or representatives is responsible. The Company will indemnify and hold harmless the Investor from any liability for any commission or compensation in the nature of a finder's or broker's fee for which the Company or any of its officers, employees or consultants or representatives is responsible.

(g) Amendments and Waivers. This Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Investor. Any amendment or waiver effected in accordance with this Section 10(g) will be binding upon the Investor, the Company and their respective successors and assigns.

(h) Severability. If any provision of this Agreement is held to be unenforceable under applicable law, such provision will be excluded from this Agreement and the balance of the Agreement will be interpreted as if such provision were so excluded and will be enforceable in accordance with its terms.

(i) Entire Agreement. This Agreement, together with the Investor Rights Agreement and all exhibits and schedules hereto and thereto constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties with respect to the subject matter hereof.

(j) Further Assurances. From and after the date of this Agreement upon the request of the Company or the Investor, the Company and the Investor will execute and deliver such instruments, documents or other writings, and take such other actions, as may be reasonably necessary or desirable to confirm and carry out and to effectuate fully the intent and purposes of this Agreement.

(k) Meaning of Include and Including. Whenever in this Agreement the word "include" or "including" is used, it shall be deemed to mean "include, without limitation" or "including, without limitation," as the case may be, and the language following "include" or "including" shall not be deemed to set forth an exhaustive list.

(l) Fees, Costs and Expenses. All fees, costs and expenses (including attorneys' fees and expenses) incurred by either party hereto in connection with the preparation, negotiation and execution of this Agreement and the Investor Rights Agreement and the consummation of the transactions contemplated hereby and thereby (including the costs associated with any filings with, or compliance with any of the requirements of, any governmental authorities), shall be the sole and exclusive responsibility of such party.

(p) Stock Splits, Dividends and other Similar Events. The provisions of this Agreement (including the number of shares of Common Stock and other securities described herein) shall be appropriately adjusted to reflect any stock split, stock dividend, reorganization or other similar event that may occur with respect to the Company after the date hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

THE GYMBOREE CORPORATION

By: _____

Name: Lawrence H. Meyer
Title: Chief Financial Officer

Address: 700 Airport Boulevard
Burlingame, California 94010
Telephone No.: (650) 696-7500
Facsimile No.: (650) 579-1733

with copies to:

Wilson Sonsini Goodrich & Rosati
Attention: Jeffrey D. Saper
650 Page Mill Road
Palo Alto, California 94304-1050
Telephone No.: (650) 320-4626
Facsimile No.: (650) 493-6811

INVESTOR

[NAME OF INVESTOR]

By: _____

Name _____

Title _____

Exhibit 10.40

COMMON STOCK PURCHASE WARRANT

THIS WARRANT AND THE SHARES OF COMMON STOCK WHICH MAY BE PURCHASED PURSUANT TO THE EXERCISE OF THIS WARRANT HAVE BEEN ACQUIRED SOLELY FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF SUCH REGISTRATION OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH SALE, OFFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE ACT AND OF ANY APPLICABLE STATE SECURITIES LAWS UNLESS SOLD PURSUANT TO RULE 144 OF THE ACT.

Void after May __, 2003

No. CS-__

The Gymboree Corporation

WARRANT

THIS CERTIFIES THAT, in consideration of the payment of $100.00 and for other good and valuable consideration, _____ (the "**Holder**") is entitled to subscribe for and purchase _____ shares (as adjusted pursuant to Section 3 hereof) of the fully paid and nonassessable Common Stock, par value $0.001 per share (the **"Shares"**), of The Gymboree Corporation, a Delaware corporation (the "**Company**") at the price of $2.97 per share (the **"Exercise Price"**) (as adjusted pursuant to Section 3 hereof), subject to the provisions and upon the terms and conditions hereinafter set forth.

Method of Exercise; Payment.

Cash Exercise. Subject to Section 11 hereof, the purchase rights represented by this Warrant may be exercised by the Holder after the date that is six (6) months after the date hereof, in whole or in part, by the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) at the principal office of the Company, and by the payment to the Company, by certified, cashier's or other check acceptable to the Company, of an amount equal to the aggregate Exercise Price of the shares being purchased.

Net Exercise. In lieu of exercising this Warrant in a cash exercise, after the date that is six (6) months after the date hereof, the Holder may elect to exercise this Warrant in whole or in part, on a "net exercise" basis, and upon such net exercise shall be entitled to receive shares equal to the value of the portion of this Warrant canceled upon such net exercise. Such net exercise shall be effected by surrender of this Warrant at the principal office of the Company together with notice of election to exercise by means of a net issuance exercise, in which event the Company shall issue to the Holder a number of shares of the Common Stock of the Company computed using the following formula:

$$X = \frac{Y\,(A-B)}{A}$$

Where X = the number of shares of Common Stock to be issued to the Holder.

Y = the number of shares of Common Stock purchasable under this Warrant to be canceled upon such net exercise.

A = the Fair Market Value of one share of Common Stock on the date of exercise.

B = the Exercise Price (as adjusted to the date of such calculation). For purposes of this Warrant, the Fair Market Value of the Common Stock shall mean the closing sale price of the Common Stock on the principal market on which the Common Stock is then traded on the date of exercise.

Stock Certificates. In the event of any exercise of the rights represented by this Warrant, certificates representing the shares of Common Stock so purchased shall be delivered to the Holder within a reasonable time and, unless this Warrant has been fully exercised or has expired, a new Warrant representing the shares with respect to which this Warrant shall not have been exercised shall also be issued to the Holder within such time.

Stock Fully Paid; Reservation of Shares. All of the Shares issuable upon the exercise of the rights represented by this Warrant will, upon issuance and receipt of the Exercise Price therefor, be fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company shall at all times have authorized and reserved for issuance sufficient shares of its Common Stock to provide for the exercise of the rights represented by this Warrant.

Adjustment of Exercise Price and Number of Shares. Subject to the provisions of Section 11 hereof, the number and kind of securities purchasable upon the exercise of this Warrant and the Exercise Price therefor shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

Reclassification or Consolidation. In case of any reclassification or change of the Common Stock (other than a change in par value, or as a result of a subdivision or combination), or in case of any consolidation or merger of the Company with or into another corporation (other than a merger with another corporation subject to Section 11 below or in which the Company is a continuing corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), the Company, or such successor or purchasing corporation as the case may be, shall execute a new Warrant, providing that the holder of this Warrant shall have the right to exercise such new Warrant, and procure upon such exercise and payment of the same aggregate Exercise Price, in lieu of the shares of Common Stock theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change, consolidation or merger by a holder of an equivalent number of shares of Common Stock. Such new Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 3. The provisions of this subsection (a), subject to Section 11 hereof, shall similarly apply to successive reclassifications, changes, consolidations and mergers.

Stock Splits, Dividends and Combinations. In the event that the Company shall at any time subdivide the outstanding shares of Common Stock, or shall issue a stock dividend on its outstanding shares of Common Stock, the number of Shares issuable upon exercise of this Warrant immediately prior to such subdivision or to the issuance of such stock dividend shall be proportionately increased, and the Exercise Price shall be proportionately decreased, and in the event that the Company shall at any time combine the outstanding shares of Common Stock, the number of Shares issuable upon exercise of this Warrant immediately prior to such combination shall be proportionately decreased, and the Exercise Price shall be proportionately increased, effective at the close of business on the date of such subdivision, stock dividend or combination, as the case may be.

Notice of Adjustments. Whenever the number of Shares purchasable hereunder or the Exercise Price thereof shall be adjusted pursuant to Section 3 hereof, the Company shall provide notice by first class mail to the holder of this Warrant setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the number of Shares which may be purchased and the Exercise Price therefor after giving effect to such adjustment.

Fractional Shares. No fractional shares of Common Stock will be issued in connection with any exercise hereunder. In lieu of such fractional shares the Company shall make a cash payment therefor based upon the Exercise Price then in effect.

Representations of the Company. The Company represents that all corporate actions on the part of the Company, its officers, directors and shareholders necessary for the sale and issuance of the Shares pursuant hereto and the performance of the Company's obligations hereunder were taken prior to and are effective as of the effective date of this Warrant.

Representations and Warranties by the Holder. The Holder represents and warrants to the Company as follows:

This Warrant and the Shares issuable upon exercise thereof are being acquired for its own account, for investment and not with a view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act of 1933, as amended (the "Act"**). Upon exercise of this Warrant, the Holder shall, if so requested by the Company, confirm in writing, in a form satisfactory to the Company, that the securities issuable upon exercise of this Warrant are being acquired for investment and not with a view toward distribution or resale.**

The Holder understands that the Warrant and the Shares have not been registered under the Act by reason of their issuance in a transaction exempt from the registration and prospectus delivery requirements of the Act pursuant to Section 4(2) thereof, and that they must be held by the Holder indefinitely, and that the Holder must therefore bear the economic risk of such investment indefinitely, unless a subsequent disposition thereof is registered under the Act or is exempted from such registration. The Holder further understands that the Warrant and the Shares have not been qualified under the California Securities Law of 1968 (the "California Law"**) by reason of their issuance in a transaction exempt from the qualification requirements of the California Law pursuant to Section 25102(f) thereof, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent expressed above.**

The Holder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the purchase of this Warrant and the Shares purchasable pursuant to the terms of this Warrant and of protecting its interests in connection therewith.

The Holder is able to bear the economic risk of the purchase of the Shares pursuant to the terms of this Warrant.

Restrictive Legend.

The Shares issuable upon exercise of this Warrant (unless registered under the Act) shall be stamped or imprinted with a legend in substantially the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF, AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUCH SHARES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO IT STATING THAT SUCH SALE OR TRANSFER IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT. COPIES OF THE AGREEMENT COVERING THE PURCHASE OF THESE SHARES AND RESTRICTING THEIR TRANSFER MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE CORPORATION AT THE PRINCIPAL EXECUTIVE OFFICES OF THE CORPORATION.

Restrictions Upon Transfer and Removal of Legend.

The Company need not register a transfer of Shares bearing the restrictive legend set forth in Section 8 hereof, unless the conditions specified in such legend are satisfied. The Company may also instruct its transfer agent not to register the transfer of the Shares, unless one of the conditions specified in the legend referred to in Section 8 hereof is satisfied.

Notwithstanding the provisions of paragraph (a) above, no opinion of counsel or "no-action" letter shall be necessary for a transfer without consideration by any holder (i) to an affiliate of the holder, (ii) if such holder is a partnership, to a partner or retired partner of such partnership who retires after the date hereof or to the estate of any such partner or retired partner, (iii) if such holder is a corporation, to a shareholder of such corporation, or to any other corporation under common control, direct or indirect, with such holder, or (iv) by gift, will or intestate succession of any individual holder to his spouse or siblings, or to the lineal descendants or ancestors of such holder or his spouse, if the transferee agrees in writing to be subject to the terms hereof to the same extent as if such transferee were the original holder hereunder.

Rights of Shareholders. No holder of this Warrant shall be entitled, as a Warrant holder, to vote or receive dividends or be deemed the holder of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the holder of this Warrant, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value, consolidation, merger, conveyance, or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until the Warrant shall have been exercised and the Shares purchasable upon the exercise hereof shall have become deliverable, as provided herein.

Expiration of Warrant. This Warrant shall expire and shall no longer be exercisable upon the earliest to occur of:

5:00 p.m., California local time, on May __, 2003;

The closing of the merger or consolidation of the Company pursuant to which the Company's shareholders immediately prior to the transaction own less than fifty percent (50%) of the surviving entity, provided that the Holder is notified at least 7 days or as soon as practicable before the scheduled closing; or

The closing of the sale of all or substantially all of the assets of the Company, provided that the Holder is notified at least 7 days or as soon as practicable before the scheduled closing.

Notices, Etc. All notices and other communications from the Company to the Holder shall be mailed by first class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company in writing by the Holder.

Governing Law, Headings. This Warrant is being delivered in the State of California and shall be construed and enforced in accordance with and governed by the laws of such State. The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof.

Issued this ____ day of May, 2000.

THE GYMBOREE CORPORATION

By: _____

Print Name: Lawrence H. Meyer
Title: Chief Financial Officer

EXHIBIT A
NOTICE OF EXERCISE

TO: THE GYMBOREE CORPORATION
700 Airport Boulevard
Suite 200
Burlingame, CA 94010
Attention: Chief Financial Officer

1. The undersigned hereby elects to purchase _____ shares of Common Stock of The Gymboree Corporation pursuant to the terms of the attached Warrant.

2. Method of Exercise (Please initial the applicable blank):

___ The undersigned elects to exercise the attached Warrant by means of a cash payment, and tenders herewith payment in full for the purchase price of the shares being purchased, together with all applicable transfer taxes, if any.

___ The undersigned elects to exercise the attached Warrant by means of the net exercise provisions of Section 1(b) of the Warrant. 3. Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

Name:
_____

Address:
_____

4. The undersigned hereby represents and warrants that the aforesaid shares of Common Stock are being acquired for the account of the undersigned for investment and not with a view to, or for resale, in connection with the distribution thereof, and that the undersigned has no present intention of distributing or reselling such shares and all representations and warranties of the undersigned set forth in Section 7 of the attached Warrant are true and correct as of the date hereof. In support thereof, the undersigned agrees to execute an Investment Representation Statement in a form substantially similar to the form attached to the Warrant as Exhibit B.

Date:_____ Signature:_____
Title:_____

EXHIBIT B
INVESTMENT REPRESENTATION STATEMENT

PURCHASER:_____
SELLER: THE GYMBOREE CORPORATION
COMPANY: THE GYMBOREE CORPORATION
SECURITY: COMMON STOCK ISSUED UPON EXERCISE OF THE WARRANT ISSUED ON MAY __, 2000
AMOUNT: _____ SHARES DATE: MAY ___, 2000

In connection with the purchase of the above-listed Securities, I, the Purchaser, represent to the Seller and to the Company the following:

I am aware of the Company's business affairs and financial condition, and have acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. I am purchasing these Securities for my own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof for purposes of the Securities Act of 1933, as amended (the "Securities Act").

I understand that the Securities have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of my investment intent as expressed herein. In this connection, I understand that, in the view of the Securities and Exchange Commission (the "SEC"), the statutory basis for such exemption may be unavailable if my representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future.

I further understand that the Securities must be held indefinitely unless subsequently registered under the Securities Act or unless an exemption from registration is otherwise available. Moreover, I understand that the Company is under no obligation to register the Securities. In addition, I understand that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel for the Company.

(d) I am familiar with the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permits limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions.

The Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires among other things: (1) the availability of certain public information about the Company, (2) the resale occurring not less than one year after the party has purchased, and made full payment for, within the meaning of Rule 144, the securities to be sold; and, in the case of an affiliate, or of a non-affiliate who has held the securities less than two years, (3) the sale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934) and the amount of securities being sold during any three month period not exceeding the specified limitations stated therein, if applicable.

(e) I agree not to sell, make short sale of, loan, grant any options for the purchase of, or otherwise dispose of any shares of Common Stock of the Company held by me for one hundred eighty (180) days from the date of the issuance of the warrant.

(f) I further understand that in the event all of the applicable requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 are not exclusive, the Staff of the SEC has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

By: _____

Title: _____

Date: _____

Exhibit 10.41

THE GYMBOREE CORPORATION
INVESTOR RIGHTS AGREEMENT

This Investor Rights Agreement (this "Agreement") is made and entered into as of May __, 2000 by and between The Gymboree Corporation, a Delaware corporation (the "Company"), and _____ ("Investor").

RECITALS

WHEREAS, the Company desires to sell to the Investor, and the Investor desires to purchase from the Company, _____ shares (the "Purchased Shares") of Common Stock, par value $0.001 per share, of the Company (the "Common Stock") on the terms and conditions set forth in that certain Common Stock Purchase Agreement, dated of even date herewith by and between the Company and the Investor (the "Purchase Agreement") and unless otherwise provided herein, all capitalized terms shall have the meanings set forth in the Purchase Agreement.

WHEREAS, the Purchase Agreement provides that the Investor shall be granted certain registration rights as more fully set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. REGISTRATION RIGHTS.

(a) Definitions. For purposes of this Section 1:

(i) Registration. The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act of 1933, as amended, (the "Securities Act"), and the declaration or ordering of effectiveness of such registration statement

(ii) Registrable Securities. The term "Registrable Securities" means the Purchased Shares and any Common Stock of the Company distributed on or with respect to the Purchased Shares. Notwithstanding the foregoing, "Registrable Securities"shall exclude any Registrable Securities sold by a person in a transaction in which rights under this Section 1 are not assigned in accordance with this Agreement or any Registrable Securities sold in a public offering, whether sold pursuant to Rule 144 promulgated under the Securities Act, or in a registered offering, or otherwise.

(iii) Registrable Securities Then Outstanding. The number of shares of "Registrable Securities then outstanding" shall mean the number of Purchased Shares and the number of any other securities that are Registrable Securities and are then issued and outstanding.

(iv) Holder. For purposes of this Section 1, the term "Holder" means the Investor or any subsidiary or affiliate of the Investor owning of record Registrable Securities that have not been sold to the public or pursuant to Rule 144 promulgated under the Securities Act or any permitted assignee of record of such Registrable Securities to whom rights under this Section 1 have been duly assigned in accordance with Section 2 of this Agreement.

(v) Form S-3. The term "Form S-3" means such form under the Securities Act as is in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC that permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(b) Form S-3 Registration. On or about the date that is six (6) months after the Closing, as defined in the Purchase Agreement, the Company shall use reasonable commercial efforts to cause to become effective with the SEC a registration statement on Form S-3, if available, relating to 100% of the Holder's Registrable Securities. The Company shall use commercially reasonable efforts to file such registration statement in sufficient time as necessary to cause such registration statement to become effective on or about the date that is six (6) months after the Closing and shall also use commercially reasonable efforts to obtain any related qualifications, registrations or other compliances that may be necessary under any applicable "blue sky" laws. In connection with such registration, the Company will:

(i) Notice. Promptly give written notice to the Holder of the proposed registration and any related qualification or compliance.

(ii) Registration. Effect such registration and all such qualifications and compliances and as would permit or facilitate the sale and distribution of 100% of the Holder's Registrable Securities; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 1(b) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(iii) Number of Form S-3 Registrations. The Company shall be obligated to effect only one (1) registration under this Section 1(b).

(iv) Expenses. The Company shall pay all expenses incurred in connection with each registration requested pursuant to this Section 1(b), excluding underwriters' or brokers' discounts and commissions relating to shares sold by Holder and any fees and disbursements of counsel to Holder, but including federal and "blue sky" registration, filing and qualification fees, printers' and accounting fees, and fees and disbursements of counsel for the Company.

(v) Deferral. Notwithstanding the foregoing, if the Company shall furnish to Holder a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its stockholders for such registration statement to be filed, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period, and the period of time that the Company is obligated to maintain the effectiveness of any registration statement under Clause (vi) [(vii)] below shall be extended for the length of any such period of deferral.

(vi) [Only for the Moldaw Variable Fund: Not Demand Registration. The Form S-3 registration described in this Section 1(b) shall not be deemed to be a demand registration as described in Section 1(c) below.]

(vii) Maintenance. The Company shall use all reasonable commercial efforts to maintain the effectiveness of the Form S-3 registration statement filed under this Section 1(b) until the earlier of: (a) the date on which all of the Registrable Securities have been sold; and (b) the one-year anniversary of the Closing, as defined in the Purchase Agreement.

(c) [Only for the Moldaw Variable Fund: Demand Registration.

(i) Request by Holder. If, at any time following the first anniversary of the Closing, as defined in the Purchase Agreement, the Company receives a written request from the Holder that the Company file a registration statement under the Securities Act on Form S-3 covering the registration of Registrable Securities (a "Demand Notice"), then the Company shall use commercially reasonable efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holder requests to be registered in such Demand Notice within thirty (30) days after receipt of such Demand Notice.

(ii) Maximum Number of Demand Registrations. The Company shall be obligated to effect only one (1) such registration pursuant to this Section 1(c).

(iv) Deferral. Notwithstanding the foregoing, if the Company shall furnish to the Holder a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its stockholders for such registration statement to be filed, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the Demand Notice; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period.

(v) Expenses. All expenses incurred in connection with any registration pursuant to this Section 1(c), including all federal and "blue sky" registration, filing and qualification fees, printer's and accounting fees, and fees and disbursements of counsel for the Company (but excluding underwriters' discounts and commissions relating to shares sold by the Holder and any fees and disbursements of counsel to the Holder), shall be borne by the Company. The Holder shall bear such Holder's discounts, commissions or other amounts payable to underwriters or brokers in connection with such offering by the Holder. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to this Section 1(c) if the registration request is subsequently withdrawn at the request of the Holder, unless the Holder agrees that such registration constitutes the use by the Holder of one (1) demand registration pursuant to this Section 1(c); provided further, however, that if at the time of such withdrawal, the Holder has learned of a material adverse change relating to the business or operations of the Company not known to the Holder at the time of its request for such registration and have withdrawn its request for registration after learning of such material adverse change, then the Holder shall not be required to pay any of such expenses and such registration shall not constitute the use of a demand registration pursuant to this Section 1(c).

(vi) Maintenance. The Company shall use all reasonable commercial efforts to maintain the effectiveness of the Form S-3 registration statement filed under this Section 1(c) until the earlier of: (a) the date on which all of the Registrable Securities have been sold; and (b) the two-year anniversary of the Closing, as defined in the Purchase Agreement.]

(d) Obligations of the Company. Whenever required to effect the registration of any Registrable Securities under this Agreement the Company shall, as expeditiously as reasonably possible:

(i) Registration Statement. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use commercially reasonable efforts to cause such registration statement to become effective.

(ii) Amendments and Supplements. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(iii) Prospectuses. Furnish to the Holder such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.

(iv) Blue Sky. Use commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by Holder, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(v) Underwriting. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement in usual and customary form (including customary indemnification of the underwriters by the Company), with the managing underwriter(s) of such offering. A Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(vi) Notification. Notify the Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(vii) [Not for the Moldaw Variable Fund: Nasdaq Listing. List the Purchased Shares on The Nasdaq National Market, or other exchange on which the Company's Common Stock is traded.]

(e) Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 1(b) [or (c)] that the selling Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to timely effect the registration of their Registrable Securities.

(f) Indemnification. In the event any Registrable Securities are included in a registration statement under Sections 1(b) [or (c)]:

(i) By the Company. To the extent permitted by law, the Company will indemnify and hold harmless Holder, the partners, officers, shareholders, employees, representatives and directors of Holder, any underwriter (as determined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended, against any losses, claims, damages, or Liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"):

(A) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto;

(B) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or

(C) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any federal or state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any federal or state securities law in connection with the offering covered by such registration statement;

and the Company will reimburse the Holder, partner, officer, shareholder, employee, representative, director, underwriter or controlling person for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; *provided*, *however*, that the indemnity agreement contained in this subsection shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, shareholder, employee, representative, director, underwriter or controlling person of such Holder.

(ii) By the Selling Holder. To the extent permitted by law, the selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, officers, shareholders, employees, representatives and directors and any person who controls such Holder within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such officer or director, controlling person, underwriter or other such Holder, partner, officer, shareholder, employee, representative, director or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such officer or director, controlling person, underwriter or other Holder, partner, officer, shareholder, employee, representative, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action. [Not for the Moldaw Variable Fund: Notwithstanding the foregoing, no such Holder will be required to contribute any amount in excess of the net proceeds received for all such Registrable Securities sold by such Holder pursuant to such registration statement.]

(iii) Notice. Promptly after receipt by an indemnified party of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this section, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, to the extent that representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of liability under this Section 2(g) except to the extent the indemnifying party is prejudiced as a result thereof.

(iv) Defect Eliminated in Final Prospectus. The foregoing indemnity agreements of the Company and Holder are subject to the condition that, insofar as they relate to any Violation made in a preliminary prospectus but eliminated or remedied in the amended prospectus on file with the SEC at the time the registration statement in question becomes effective or the amended prospectus filed with the SEC pursuant to SEC Rule 424(b) (the "Final Prospectus"), such indemnity agreement shall not inure to the benefit of any person if a copy of the Final Prospectus was timely furnished to the indemnified party and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act.

(v) Contribution. In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (A) any Holder exercising rights under this Agreement, or any controlling person of any such Holder, makes a claim for indemnification pursuant to this section, but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this section provides for indemnification in such case, or (B) contribution under the Securities Act may be required on the part of any such selling Holder or any such controlling person in circumstances for which indemnification is provided under this section; then, and in each such case, the Company and such Holder will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that such Holder is responsible for the portion represented by the percentage that the public offering price of its Registrable Securities offered by and sold under the registration statement bears to the public offering price of all securities offered by and sold under such registration statement, and the Company and other selling Holders are responsible for the remaining portion; provided, however, that, in any such case: (X) no such Holder will be required to contribute any amount in excess of the net proceeds received for [public offering price of] all such Registrable Securities sold by such Holder pursuant to such registration statement; and (Y) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

(vi) Survival. The obligations of the Company and Holder under this Section 2(f) shall survive until the second anniversary of the completion of any offering of Registrable Securities in a registration statement, regardless of the expiration of any statutes of limitation or extensions of such statutes.

(g) Termination of the Company's Obligations. The Company shall have no obligations pursuant to this Section 1 with respect to any Registrable Securities proposed to be sold by Holder in a registration pursuant to Section 1(b) [or (c)] more than five (5) years after the date of this Agreement or if, in the opinion of counsel to the Company, all such Registrable Securities to be sold by any Holder may then be sold under Rule 144 in a single transaction without exceeding the volume limits thereunder.

(h) Suspension Provisions. Notwithstanding the foregoing subsections of this Section 1, the Company shall not be required to take any action with respect to the registration or the declaration of effectiveness of the registration statement following written notice to Holder from the Company (a "Suspension Notice") of the existence of any state of facts or the happening of any event (including pending negotiations relating to, or the consummation of, a transaction, or the occurrence of any event that the Company believes, in good faith, requires additional disclosure of material, non-public information by the Company in the registration statement that the Company believes it has a bona fide business purpose for preserving confidentiality or that renders the Company unable to comply with the published rules and regulations of the SEC promulgated under the Securities Act or the Securities Exchange Act, as in effect at any relevant time (the "Rules and Regulations")) that would result in (i) the registration statement, any amendment or post-effective amendment thereto, or any document incorporated therein by reference containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) the prospectus issued under the registration statement, any prospectus supplement, or any document incorporated therein by reference including an untrue statement of material fact or omitting to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, *provided* that the Company (X) shall not issue a Suspension Notice more than three (3) times in any 12 month period, (Y) shall use its best efforts to remedy, as promptly as practicable, but in any event within 90 days of the date on which the Suspension Notice was delivered, the circumstances that gave rise to the Suspension Notice and deliver to the Holder notification that the Suspension Notice is no longer in effect and (Z) shall not issue a Suspension Notice for any period during which the Company's executive officers are not similarly restrained from disposing of shares of the Company's Common Stock. Upon receipt of a Suspension Notice from the Company, all time limits applicable to the Holder under this Section 1 shall automatically be extended by an amount of time equal to the amount of time the Suspension Notice is in effect, Holder will forthwith discontinue disposition of all such shares pursuant to the registration statement until receipt from the Company of copies of prospectus supplements or amendments prepared by or on behalf of the Company (which the Company shall prepare promptly), together with a notification that the Suspension Notice is no longer in effect, and if so directed by the Company, Holder will deliver to the Company all copies in their possession of the prospectus covering such shares current at the time of receipt of any Suspension Notice.

2. ASSIGNMENT. The rights of the Investor under Section 1 are transferable to any purchaser or transferee of the Purchased Shares; provided, however, that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement.

3. EXCHANGE ACT REPORTS. The Company agrees to:

(a) Use commerically reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Securities Exchange Act of 1934 (the "Exchange Act").

(b) Furnish to Holder forthwith upon request a written statement by the Company that it has complied with the reporting requirements of the Securities Act and the Exchange Act, or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3. (c) Make and keep public information available as those terms are understood and defined in Rule 144 under the Securities Act.

(d) So long as Investor owns the Purchased Shares, furnish to Investor upon request a written statement by the Company as to its compliance with the reporting requirements of Rule 144, and of the Securities Act and the Exchange Act and such other reports and documents so filed with the SEC as Investor may reasonably request in availing itself of any rule or regulation of the SEC allowing Investor to sell any such securities without registration.

4. MISCELLANEOUS.

(a) Successors and Assigns. The terms and conditions of this Agreement will inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.

(b) Governing Law. This Agreement will be governed by and construed under the internal laws of the State of California, without reference to principles of conflict of laws or choice of laws.

(c) Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

(d) Headings. The headings and captions used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. All references in this Agreement to sections, paragraphs, exhibits and schedules will, unless otherwise provided, refer to sections and paragraphs hereof and exhibits and schedules attached hereto, all of which exhibits and schedules are incorporated herein by this reference.

(e) Notices. Any notice required or permitted under this Agreement shall be given in writing, shall be effective when received, and shall in any event be deemed received and effectively given upon personal delivery to the party to be notified or three (3) business days after deposit with the United States Post Office, by registered or certified mail, postage prepaid, or one (1) business day after deposit with a nationally recognized courier service such as Federal Express for next business day delivery under circumstances in which such service guarantees next business day delivery, or one (1) business day after facsimile with copy delivered by registered or certified mail, in any case, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof or at such other address as the Investor or the Company may designate by giving at least ten (10) days advance written notice pursuant to this Section 5(e).

(f) Amendments and Waivers. This Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the [holder(s) of Purchased Shares representing at least a majority of the total aggregate number of Purchased Shares then outstanding (excluding any of such shares that have been sold in a transaction in which rights under Section 1 are not assigned in accordance with this Agreement or sold to the public pursuant to SEC Rule 144 or otherwise)] [Investor]. Any amendment or waiver effected in accordance with this Section 4(f) will be binding upon the Investor, the Company and their respective successors and assigns.

(g) Severability. If any provision of this Agreement is held to be unenforceable under applicable law, such provision will be excluded from this Agreement and the balance of the Agreement will be interpreted as if such provision were so excluded and will be enforceable in accordance with its terms.

(h) Entire Agreement. This Agreement, together with the Purchase Agreement and all exhibits and schedules hereto and thereto constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties with respect to the subject matter hereof.

(i) Further Assurances. From and after the date of this Agreement upon the request of the Company or the Investor, the Company and the Investor will execute and deliver such instruments, documents or other writings, and take such other actions, as may be reasonably necessary or desirable to confirm and carry out and to effectuate fully the intent and purposes of this Agreement.

(j) Meaning of Include and Including. Whenever in this Agreement the word “include” or “including” is used, it shall be deemed to mean “include, without limitation” or “including, without limitation,” as the case may be, and the language following “include”or “including”shall not be deemed to set forth an exhaustive list.

(k) Fees, Costs and Expenses. All fees, costs and expenses (including attorneys’fees and expenses) incurred by either party hereto in connection with the preparation, negotiation and execution of this Agreement and the Purchase Agreement and the consummation of the transactions contemplated hereby and thereby (including the costs associated with any filings with, or compliance with any of the requirements of, any governmental authorities), shall be the sole and exclusive responsibility of such party.

(l) Stock Splits, Dividends and other Similar Events. The provisions of this Agreement (including the number of shares of Common Stock and other securities described herein) shall be appropriately adjusted to reflect any stock split, stock dividend, reorganization or other similar event that may occur with respect to the Company after the date hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

THE GYMBOREE CORPORATION

By: _____

Name: Lawrence H. Meyer
Title: Chief Financial Officer

Address: 700 Airport Boulevard
Burlingame, California 94010
Telephone No.: (650) 696-7500
Facsimile No.: (650) 579-1733

with copies to:

Wilson Sonsini Goodrich & Rosati
Attention: Jeffrey D. Saper
650 Page Mill Road
Palo Alto, California 94304-1050
Telephone No.: (650) 320-4626
Facsimile No.: (650) 493-6811

[NAME OF INVESTOR]

By: _____

Name _____

Title _____

{Signature page to Investor Rights Agreement}

Exhibit 10.42

AMENDMENT TO WARRANT
TO PURCHASE COMMON STOCK

This Amendment to Warrant to Purchase Common Stock (the "Amendment") is made and entered into as of June 5, 2000, by and between The Gymboree Corporation, a Delaware corporation (the "Company"), and _____ (the "Holder"), the holder of a Warrant to Purchase Common Stock (the "Warrant").

RECITALS

A. On June 2, 2000, the Company issued the Warrant to purchase _____ shares of the Company's Common Stock to the Holder in connection with equity investment made by such Holder on May ___, 2000 (the "Equity Investment").

B. Pursuant to Section 1(b) of the Warrant, the Warrant is exercisable after the date that is six (6) months after June 2, 2000.

C. In consideration of the Company's promise to make the Warrant exercisable as of the date that is six (6) months from May 16, 2000, the Company and the Holder of the Warrant wish to amend Section 1(b).

AGREEMENT

1. The first sentence of Section 1(b) shall be amended and restated in its entirety as follows:

(b) Net Exercise. In lieu of exercising this Warrant in a cash exercise, after November 16, 2000, the Holder may elect to exercise this Warrant in whole or in part, on a "net exercise" basis, and upon such net exercise shall be entitled to receive shares equal to the value of the portion of this Warrant canceled upon such net exercise.

2. All other terms and conditions in the Warrant shall remain unchanged.

THE GYMBOREE CORPORATION

By: _____

Print Name: Lawrence H. Meyer
Title: Chief Financial Officer

Exhibit 10.43

NEW LEASE AGREEMENT

THIS NEW LEASE AGREEMENT dated, for reference purposes only, November 15, 2000, is entered into by and between **BURLINGAME SHORE INVESTMENTS**, a California general partnership ("Landlord") and **THE GYMBOREE CORPORATION**, a Delaware corporation ("Tenant").

RECITALS

WHEREAS, on or about October 11, 1996, Landlord and Tenant entered into that certain "Office Lease" (the "Original Lease") for certain Premises known and described as 770 Airport Boulevard, in the City of Burlingame, County of San Mateo, State of California (the "Premises"); and

WHEREAS the Original Lease provided for a term expiring on November 30, 1999; and

WHEREAS subsequently the Original Lease has been amended, and as amended, its term shall expire on November 30, 2000; and

WHEREAS, Tenant has vacated the Premises, and the parties hereto agree that the Original Lease expires, and shall be of no further force or effect, on November 30, 2000; and

WHEREAS, Tenant desires to lease the Premises under a new Lease and for a new Term commencing on December 1, 2000, on substantially similar terms as those expressed in the Original Lease;

NOW, THEREFORE, the parties have agreed to enter into this lease agreement (the "New Lease") for the Premises, on the following terms and conditions:

NEW LEASE

1. Letting. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises, for the Term, and on the terms and conditions, as set forth herein.

2. Premises. The Premises shall consist of the entire building known by the street address of 770 Airport Boulevard, in the City of Burlingame, consisting of approximately 25,578 rentable square feet, plus the surrounding parking and landscaped areas. The Premises are being let in their current "AS IS" condition without warranty of any kind.

3. Term. The Term of the New Lease shall be for a period of six (6) years, which shall commence on **December 1, 2000** (the "Commencement Date"), and which shall expire on **November 30, 2006** (the "Expiration Date").

4. Initial Monthly Base Rent. The initial monthly Base Rent for the Premises, for each month during the first New Lease Year (12/1/00-11/30/01) shall be Eighty-three Thousand One Hundred Twenty-eight and 50/100 ($83,128.50) Dollars per month.

5. Base Rent Adjustments. Beginning on the first anniversary of the New Lease Commencement Date and on each successive anniversary thereafter during the New Lease Term (each, an "Adjustment Date"), the Base Rent shall be increased with the CPI, with a minimum increase of three (3%) percent annually, and a maximum increase of five (5%) percent annually.

6. Deferment and Recoupment of Rent. As an accommodation to Tenant, Landlord shall defer payment of the sum of Two Hundred Fifty Thousand and no/100 ($250,000.00) (the "Deferred Rent") from the Base Rent due for the first twelve months of the New Lease Term, on the following terms and conditions:

(a) The Deferred Rent shall be deferred in twelve (12) equal monthly installments from the Base Rent otherwise due and owing from Tenant, thereby reducing Tenant's monthly payments to the sum of Sixty-two Thousand Two Hundred Ninety Five ($62,295.00) Dollars per month, in each of the first twelve (12) months of the New Lease Term.

(b) Commencing on the first day of the 13th month of the New Lease Term, the Deferred Rent shall be repaid to Landlord in monthly installments of Ten Thousand ($10,000.00) Dollars from Tenant (in addition to the Base Rent which would otherwise be due from Tenant), due each and every month until the total amount of $250,000.00 in Deferred Rent has been wholly recouped. By way of example only, and not by way of limitation, in the event that the Base Rent Adjustment commencing at the beginning of the second lease year is 4%, then the Rent payable for months 13-24 shall be $96,453.64 per month, consisting of Base Rent (as adjusted) in the amount of $86,453.64. per month, plus repayment of Deferred Rent in the amount of $10,000 per month.

(c) All sums due and payable hereunder, including but not limited to Base Rent and Deferred Rent, shall be deemed to be "rent."

7. Base Rent Due Upon Execution. Base Rent for the period from 12/1/00 to 12/31/00, in the amount of $82,295.00, less Deferred Rent of $10,000.00, shall be due upon New Lease execution, for a net payment due from Tenant in the amount of $62,295.00.

---

8. Security Deposit Due Upon Execution. Tenant shall deposit with Landlord upon execution the sum of Eighty-two Thousand Two Hundred Ninety-five and no/100 ($82,295.00) Dollars, as and for security for Tenant's timely performance of each and every of its obligations hereunder.

9. Option to Extend.

(a) Tenant shall have the option to extend the term hereof for one (1) additional six (6) year period (the "Option Term") following the expiration of the initial term, by delivering to Landlord written notice of exercise of such option not later than November 30, 2005.

(b) The Base Rent for the Option Term shall be fixed at the commencement of the Option Term and shall be the fair market rental ("Fair Market Rental" as hereinafter defined) of the Premises at the commencement date of the Option Term. Under no circumstances shall the rent for the Option Term be less than the last month's rent payable in the Initial Term.

(c) "Fair Market Rental" shall mean the rate being charged to similarly situated tenants for comparable space in similar buildings in, and in the immediate vicinity of the mid- Peninsula/Burlingame area, with similar amenities. Fair Market Rental as of the Adjustment Date shall be determined by Landlord with written notice (the "Notice of Option Term Rent") given to Tenant not earlier than eight (8) months, and not later than (6) six months, before the commencement of the Option Term, subject to Tenant's right to arbitration as hereinafter provided.

(d) If Tenant disputes the amount claimed by Landlord as Fair Market Rental, Tenant may require that Landlord submit the dispute to arbitration. Tenant shall notify Landlord of its demand for arbitration in writing within fifteen (15) days after service of the Notice of Option Term Rent. Tenant's demand for arbitration shall include the designation by Tenant of its appointed arbitrator, who shall be a commercial real estate agent or broker with at least five (5) years full-time experience who is familiar with the Fair Market Rental of similar space in comparable buildings in the above-specified area.

(e) Within ten (10) days of receipt of Tenant's demand for arbitration, Landlord shall designate in writing its appointed arbitrator, who shall be similarly qualified. Within ten (10) days thereafter, the two arbitrators shall select a third, neutral arbitrator, who shall be similarly qualified.

(f) Within thirty (30) days after the appointment of the neutral arbitrator, each party arbitrator shall simultaneously submit to the neutral arbitrator its proposed Fair Market Rental. The neutral arbitrator shall select the one proposal which most closely approximates the neutral arbitrator's independent assessment of the Fair Market Rental of the Premises. The arbitrator's authority is limited to selecting one of the parties'proposed Fair Market Rental figures, and s/he shall have no authority to set a compromise rental figure. The decision of the arbitrator shall be final and binding on the parties. Each party shall pay the costs and fees of its arbitrator, and shall share equally in the costs and fees of the neutral arbitrator.

(g) Failure on the part of Tenant to demand arbitration within fifteen (15) days following receipt of the Notice of Option Term Rent from Landlord shall bind Tenant to the Fair Market Rental as determined by Landlord. Should Tenant elect to arbitrate and should the arbitration not have been concluded prior to the Adjustment Date, Tenant shall pay the monthly rent to Landlord after the Adjustment Date, adjusted to reflect the Fair Market Rental as Landlord has so determined. If the amount of the Fair Market Rental as determined by arbitration is greater than or less than Landlord's determination, then any adjustment required to adjust the amount previoulsy paid shall be made by the appropriate party within ten (10) days after such determination of Fair Market Rental.

10. Additional Terms and Conditions. To the extent not contradicted hereby, the terms and conditions, and definitions of defined terms, of the Original Lease shall be incorporated herein as if set forth in full, and shall be the terms and conditions of the New Lease, with the following exceptions:

a. The "Term" of the New Lease shall be as stated herein.

b. There shall be no "early occupancy" under the New Lease, and Section 1 of the Addendum shall not be incorporated herein.

c. The Base Rent under the New Lease shall be in the amount as set forth herein, and otherwise subject to the terms and conditions of the Original Lease.

d. Tenant shall pay triple net charges as set forth in the Original Lease, in such sums as are currently incurred for insurance and taxes for the Premises.

e. The Security Deposit shall be in the amount set forth herein, and otherwise subject to the terms and conditions of the Original Lease.

f. There shall be no option rights other than as set forth in this New Lease, and no tenant improvement reimbursement under the New Lease and Exhibit B shall not be incorporated herein.

---

g. There shall be no "Due Diligence" period following execution of the New Lease and Section 6 of the Original Lease shall not be incorporated herein.

h. There shall be no brokerage commissions due or payable in connection with the New Lease and Section 24 of the Original Lease shall not be incorporated herein.

i. There shall be no tenant improvements included in the New Lease and Exhibit C to the Original Lease shall not be incorporated herein.

j. Exhibit D of the Original Lease shall not be incorporated herein.

k. Any and all Amendments to the Original Lease shall not be incorporated herein.

IN WITNESS WHEREOF, the parties hereto have executed this New Lease on the dates immediately following their respective signatures below:

LANDLORD:
BURLINGAME SHORE INVESTMENTS, a California General Partnership

By /s/ Martin Lin
Martin Lin
Its General Partner
Dated: November 16, 2000

TENANT:
THE GYMBOREE CORPORATION, a Delaware Corporation

By /s/ L. H. Meyer
L. H. Meyer
CFO & Sr. Vice President

By /s/ Stuart G. Moldaw
Stuart G. Moldaw
CEO & Chairman
Dated: November 16, 2000

Exhibit 10.44

THE GYMBOREE CORPORATION

MANAGEMENT SEVERANCE PLAN

ARTICLE I

PURPOSE, ESTABLISHMENT AND APPLICABILITY OF PLAN

1. Purpose. The purpose of this Plan is to provide for the payment of severance benefits to Participants whose employment with the Company terminates in an Involuntary Termination other than in connection with a Change of Control. The Company believes that severance benefits of this kind will aid the Company in attracting and retaining the highly qualified individuals that are essential to its success.

2. Establishment of Plan. As of the Effective Date, the Company hereby establishes the Plan, as set forth inthis document.

3. Applicability of Plan. Subject to the terms of this Plan, the benefits provided by this Plan shall beavailable to those Employees who, on or after the Effective Date, receive a Notice of Participation.

4. Contractual Right to Benefits. This Plan and the Notice of Participation establish and vest in eachParticipant a contractual right to the benefits to which he or she is entitled pursuant to the terms thereof, enforceable by the Participant against the Company.

ARTICLE II

DEFINITIONS AND CONSTRUCTION

Whenever used in the Plan, the following terms shall have the meanings set forth below.

1. Base Compensation. “Base Compensation” shall mean the gross annual cash compensation paid to each Participant, exclusive of bonuses, commissions and other incentive pay, together with any increases in such compensation that may occur from time to time. Base Compensation of a Participant shall be computed with reference to the greatest Base Compensation received by that Participant in any full payroll period during the twelve (12) months preceding the Participant’s termination.

2. Board. “Board” shall mean the Board of Directors of the Company.

3. Cause. “Cause” shall mean (i) any act of personal dishonesty taken by the Participant in connection with his or her responsibilities as an Employee and intended to result in substantial personal enrichment of the Participant, (ii) the Participant’s conviction of a felony that is injurious to the Company, (iii) a willful act by the Participant which constitutes gross misconduct and which is injurious to the Company, or (iv) continued substantial violations by the Participant of the Participant’s employment duties which are demonstrably willful and deliberate on the Participant’s part after there has been delivered to the Participant a written demand for performance from the Company which specifically sets forth the factual basis for the Company’s belief that the Participant has not substantially performed his duties.

4. Change of Control. “Change of Control” shall mean the occurrence of any of the following events:

(i) Any “person”(as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the “beneficial owner”(as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities; or

(ii) A change in the composition of the Board occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. “Incumbent Directors” shall mean directors who either (A) are directors of the Company as of the date hereof, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(iii) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (iv) the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets.

5. Code. "Code" shall mean the Internal Revenue Code of 1986, as amended.

6. Company. "Company" shall mean The Gymboree Corporation, any subsidiary corporations, any successor entities as provided in Article VII hereof, and any parent or subsidiaries of such successor entities.

7. Disability. "Disability" shall mean that the Participant has been unable to perform his or her duties as an Employee as the result of incapacity due to physical or mental illness, and such inability, at least 26 weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Participant or the Participant's legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least 30 days'written notice by the Company of its intention to terminate the Participant's employment. In the event that the Participant resumes the performance of substantially all of his or her duties hereunder before the termination of his or her employment becomes effective, the notice of intent to terminate shall automatically be deemed to have been revoked.

8. Effective Date. "Effective Date" shall mean the date this Plan is approved by the Board.

9. Employee. "Employee" shall mean an employee of the Company.

10. ERISA. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

11. Involuntary Termination. "Involuntary Termination" shall mean (i) without the Participant's express written consent, the significant reduction of the Participant's title, duties or responsibilities relative to the Participant's title, duties or responsibilities in effect immediately prior to such reduction; (ii) without the Participant's express written consent, a reduction by the Company in the annual base salary or in the maximum dollar amount of potential annual cash bonuses relative to the annual base salary and maximum dollar amount of potential annual cash bonuses as in effect immediately prior to such reduction; (iii) without the Participant's express written consent, a material reduction by the Company in the kind or level of employee benefits to which the Participant is entitled immediately prior to such reduction with the result that the Participant's overall benefits package is significantly reduced; (iv) the relocation of the Participant to a facility or a location more than 25 miles from the Participant's then present location, without the Participant's express written consent; (v) any purported termination of the Participant by the Company which is not effected for Disability or for Cause; or (vi) the failure of the Company to obtain the assumption of this agreement by any successors contemplated in Article VI below.

12. Notice of Participation. "Notice of Participation" shall mean an individualized written notice of participation in the Plan from an authorized officer of the Company.

13. Participant. "Participant" shall mean an individual who meets the eligibility requirements of Article III.

14. Plan. "Plan"shall mean this Gymboree Corporation Management Severance Plan.

15. Plan Administrator. "Plan Administrator" shall mean the Board of Directors of the Company, or its committee or designate, as shall be administering the Plan.

16. Severance Payment. "Severance Payment" shall mean the payment of severance compensation as provided in Article IV hereof.

17. Severance Payment Percentage. "Severance Payment Percentage" shall mean, for each Participant, the Severance Payment Percentage set forth in such Participant's Notice of Participation.

ARTICLE III

ELIGIBILITY

1. Waiver. As a condition of receiving benefits under the Plan, an Employee must sign a general waiver and release on a form provided by the Company.

2. Participation in Plan. Each Employee who is designated by the Board and who signs and timely returns to the Company a Notice of Participation shall be a Participant in the Plan. A Participant shall cease to be a Participant in the Plan (i) upon ceasing to be an Employee, or (ii) upon receiving written notice from the Plan Administrator that the Participant is no longer eligible to participate in the Plan, unless in either case such Participant is entitled to benefits hereunder. A Participant entitled to benefits hereunder shall remain a Participant in the Plan until the full amount of the benefits have been delivered to the Participant.

ARTICLE IV

SEVERANCE BENEFITS

1. Severance Pay Upon an Involuntary Termination. If the Participant's employment with the Company terminates as a result of Involuntary Termination, the Participant shall be entitled to receive a Severance Payment equal to the sum of (i) the product obtained by multiplying the Participant's Severance Payment Percentage times the Participant's Base Compensation. Any such Severance Payment shall be paid in cash by the Company to the Participant in equal monthly installments (less applicable withholding) over a twelve month period. Payments shall cease upon the Employee's acceptance of an offer of any other employment. Should base salary at new place of employment be less than final base salary at time of termination from Company, Company will provide Participant with the difference on any remaining monthly installments in one lump sum. It is the Employee's responsibility to notify Employer immediately upon accepting an offer of any other employment. Such Severance Payment shall be in lieu of any other severance or severance-type benefits to which the Participant may be entitled under any other Company-sponsored plan, practice or arrangement.

> **EXAMPLE**: Participant is Involuntarily Terminated as of July 1, 1998. Participant's Base Compensation is $150,000. The Severance Payment Percentage set forth in the Participant's Notice of Participation is 50%. The Participant is entitled to a Severance Payment equal to 50% x $150,000 = $75,000, payable in twelve equal monthly installments or until an offer of employment is accepted.

2. Voluntary Resignation; Termination For Cause. If the Participant's employment terminates by reason of the Participant's voluntary resignation (and is not an Involuntary Termination), or if the Company terminates the Participant for Cause, then the Participant shall not be entitled to receive severance or other benefits under this Plan and shall be entitled only to those benefits (if any) as may be available under the Company's then existing benefit plans and policies at the time of such termination.

3. Disability; Death. If the Participant's employment terminates by reason of the Participant's death, or in the event the Company terminates the Participant's employment for Disability, then the Participant shall not be entitled to receive severance or other benefits under this Plan and shall be entitled only to those benefits (if any) as may be available under the Company's then existing benefit plans and policies at the time of such death or Disability.

4. Termination Following a Change of Control. Notwithstanding anything to the contrary herein, in the event that a Participant's employment terminates for any reason within the eighteen (18)-month period following a Change of Control, then the Participant shall not be entitled to receive severance or other benefits under this Plan and shall be entitled only to those benefits (if any) as may be available under the Company's then existing benefit plans and policies at the time of such termination.

ARTICLE V

EMPLOYMENT STATUS; WITHHOLDING

1. Employment Status. This Plan does not constitute a contract of employment or impose on the Participant or the Company any obligation to retain the Participant as an Employee, to change the status of the Participant's employment, or to change the Company's policies regarding termination of employment. The Participant's employment is and shall continue to be at-will, as defined under applicable law. If the Participant's employment with the Company or a successor entity terminates for any reason, the Participant shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Plan, or as may otherwise be available in accordance with the Company's established employee plans and practices or other agreements with the Company at the time of termination.

2. Taxation of Plan Payments. All amounts paid pursuant to this Plan shall be subject to regular payroll and withholding taxes.

ARTICLE VI

SUCCESSORS TO COMPANY AND PARTICIPANTS

1. Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Plan and agree expressly to perform the obligations under this Plan by executing a written agreement. For all purposes under this Plan, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection or which becomes bound by the terms of this Plan by operation of law.

2. Participant's Successors. All rights of the Participant hereunder shall inure to the benefit of, and be enforceable by, the Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

ARTICLE VII

DURATION, AMENDMENT AND TERMINATION

1. Duration. This Plan shall terminate on the fifth anniversary of the Effective Date, unless, (a) this Plan is extended by the Board, or (b) the Board terminates the Plan in accordance with this Article. A termination of this Plan pursuant to the preceding sentences shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits earned by a Participant prior to the termination of this Plan.

2. Amendment and Termination. The Board shall have the discretionary authority to amend the Plan in any respect, including as to the removal or addition of Participants, or to terminate the Plan, in either case by resolution adopted by a majority of the Board.

ARTICLE VIII

CLAIMS PROCESS

1. Right to Appeal. A Participant or former Participant who disagrees with his or her allotment of benefits under this Plan may file a written appeal with the designated Human Resources representative. Any claim relating to this Plan shall be subject to this appeal process. The written appeal must be filed within sixty (60) days of the Participant's termination date.

2. Form of Appeal. The appeal must state the reasons the Participant or former Participant believes he or she is entitled to different benefits under the Plan. The designated Human Resources representative shall review the claim. If the claim is wholly or partially denied, the designated Human Resources representative shall provide the Participant or former Participant a written notice of the denial, specifying the reasons the claim was denied. Such notice shall be provided within ninety (90) days of receiving the written appeal.

3. Right to Review. If the claim is denied, in whole or in part, the Participant may request a review of the denial at any time within ninety (90) days following the date the Participant received written notice of the denial of his or her claim. For purposes of this subsection, any action required or authorized to be taken by the Participant may be taken by a representative authorized in writing by the Participant to represent him or her. The designated Human Resources representative shall afford the Participant a full and fair review of the decision denying the claim and, if so requested, shall:

(a) permit the Participant to review any documents that are pertinent to the claim; and

(b) permit the Participant to submit to the designated Human Resources representative issues and comments in writing.

4. Decision on Review. The decision on review by the designated Human Resources representative shall be in writing and shall be issued within 60 days following receipt of the request for review. The decision on review shall include specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision of the designated Human Resources representative is based.

ARTICLE IX

NOTICE

1. General. Notices and all other communications contemplated by this Plan shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Participant, mailed notices shall be addressed to him or her at the home address which he or she most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its General Counsel.

2. Notice by the Participant of Involuntary Termination by the Company. In the event that the Participant determines that an Involuntary Termination has occurred, the Participant shall give written notice to the Company that such Involuntary Termination has occurred. Such notice shall be delivered by the Participant to the Company within ninety (90) days following the date on which such Involuntary Termination occurred, shall indicate the specific provision or provisions in this Plan upon which the Participant relied to make such determination and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such determination. The failure by the Participant to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination shall not waive any right of the Participant hereunder or preclude the Participant from asserting such fact or circumstance in enforcing his or her rights hereunder.

ARTICLE X

MISCELLANEOUS PROVISIONS

1. Severability. The invalidity or unenforceability of any provision or provisions of this Plan shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

2. No Assignment of Benefits. The rights of any person to payments or benefits under this Plan shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection shall be void.

3. Assignment by Company. The Company may assign its rights under this Plan to an affiliate, and an affiliate may assign its rights under this Plan to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of assignment; provided, further, that the Company shall guarantee all benefits payable hereunder. In the case of any such assignment, the term "Company" when used in this Plan shall mean the corporation that actually employs the Participant.

ARTICLE XI

ERISA REQUIRED INFORMATION

1. Plan Sponsor. The Plan sponsor and administrator is:

The Gymboree Corporation
700 Airport Boulevard
Suite 200
Burlingame, California 94010

2. Designated Agent. Designated agent for service of process:

General Counsel
The Gymboree Corporation
700 Airport Boulevard
Suite 200
Burlingame, California 94010

3. Plan Records. Plan records are kept on a fiscal year basis.

4. Plan Funding. The Plan is funded from the Company's general assets.

THE GYMBOREE CORPORATION MANAGEMENT SEVERANCE PLAN

NOTICE OF PARTICIPATION

To: [Participant's Name]

Date:

The Board has designated you as a Participant in the Plan, a copy of which is attached hereto. The terms and conditions of your participation in the Plan are as set forth in the Plan and herein. The terms defined in the Plan shall have the same defined meanings in this Notice of Participation. As a condition to receiving benefits under the Plan you agree to sign a general waiver and release in the form provided by the Company.

In the event that you are entitled to a Severance Payment under the Plan, you will receive 50% [100%] of your Base Compensation payable in twelve (12) equal monthly installments, less applicable tax withholding. Notwithstanding the above, any Severance Payments shall cease in the event you accept any other offer of employment unless base salary at new place of employment is less than final base salary at time of termination from Company in which case Company will provide Participant with the difference on remaining monthly installments in one lump sum.

If you agree to participate in the Plan on these terms and conditions, please acknowledge your acceptance by signing below. Please return the signed copy of this Notice of Participation within ten (10) days of the date set forth above to:

General Counsel
The Gymboree Corporation
700 Airport Boulevard
Suite 200
Burlingame, California 94010

Your failure to timely remit this signed Notice of Participation will result in your removal from the Plan. Please retain a copy of this Notice of Participation, along with the Plan, for your records.

Date: _____ Signature: _____ _____

Exhibit 21.1

Subsidiaries of the Registrant

Gymboree Manufacturing, Inc., a California corporation.
Gym-mark, Inc., a California corporation.
The Gymboree Stores, Inc., a California corporation.
Gymboree Retail Stores, Inc., a California corporation.
Gymboree Logistics Partnership, a California General partnership, wholly owned by The Gymboree Stores, Inc. and Gymboree Retail Stores, Inc.
Gymboree Play Program, Inc., a California corporation.
Gymboree Operations, Inc., a California corporation.
Gymboree, Inc., a Canadian and Delaware corporation.
Gymboree Japan K.K., a Japanese corporation.
Gymboree Industries Holdings Ltd., a Republic of Ireland Limited Company.
Gymboree Hong Kong Ltd., a Hong Kong Limited Company, wholly owned by Gymboree Industries Holdings Ltd.
Gymboree Industries Ltd., a Republic of Ireland Limited Company, wholly owned by Gymboree Industries Holdings Ltd.
Gymboree Ireland Leasing Ltd., a Republic of Ireland Limited Company.
Gymboree of Ireland, Ltd., a Republic of Ireland Limited Company.
Gymboree U.K. Leasing Ltd., a United Kingdom Limited Company.
Gymboree U.K. Ltd., a United Kingdom Limited Company.

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-60310, 33-90452, 33-94594, 333-10811 and 333-74269 each on Form S-8 and Registration Statement No. 333-53490 on Form S-3, of The Gymboree Corporation and subsidiaries of our report dated April 16, 2001, appearing in this Annual Report on Form 10-K of The Gymboree Corporation and subsidiaries for the fiscal year ended February 3, 2001.

/s/ Deloitte &Touche LLP

San Francisco, California
May 2, 2001