GAP INC Form 4 December 23, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

Washington, D.C. 20549 Check this box

if no longer subject to Section 16. Form 4 or

Form 5 obligations may continue.

Section 17(a) of the Public Utility Holding Company Act of 1935 or Section See Instruction

SECURITIES Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,

30(h) of the Investment Company Act of 1940

2. Issuer Name and Ticker or Trading

Symbol

(Print or Type Responses)

1(b).

(Last)

1. Name and Address of Reporting Person *

POLLITT BYRON H JR

(Middle)

C/O FRANK GARCIA, GAP INC., TWO FOLSOM ST

(Street)

(First)

4. If Amendment, Date Original

3. Date of Earliest Transaction

Filed(Month/Day/Year)

GAP INC [GPS]

(Month/Day/Year)

12/22/2005

SAN FRANCISCO, CA 94105-1205

5. Relationship of Reporting Person(s) to

Issuer

(Check all applicable)

OMB

Number:

Expires:

response...

Estimated average

burden hours per

OMB APPROVAL

3235-0287

January 31,

2005

0.5

Director 10% Owner _X__ Officer (give title Other (specify

below) below)

EVP, Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)

X Form filed by One Reporting Person Form filed by More than One Reporting

Person

(City) (State) (Zip) Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of 2. Transaction Date 2A. Deemed Security (Month/Day/Year) (Instr. 3)

Execution Date, if (Month/Day/Year)

3. 4. Securities TransactionAcquired (A) or Code (Instr. 8)

Disposed of (D) (Instr. 3, 4 and 5)

Code V Amount (D) Price

5. Amount of Securities Beneficially Owned Following Reported

6. Ownership 7. Nature of Form: Direct Indirect (D) or Indirect Beneficial (I) (Instr. 4)

Ownership (Instr. 4)

Transaction(s) (Instr. 3 and 4)

(A)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of SEC 1474 information contained in this form are not (9-02)required to respond unless the form displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Conversion Security or Exercise

3. Transaction Date 3A. Deemed (Month/Day/Year)

Execution Date, if any

4. 5. Number of TransactiorDerivative Securities Code Acquired (A) or

6. Date Exercisable and **Expiration Date** (Month/Day/Year)

7. Title and A Underlying S (Instr. 3 and 4

Edgar Filing: GAP INC - Form 4

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8) Disposed o (Instr. 3, 4,					
				Code V	(A)	(D)	Date Exercisable	Expiration Date	Title
Stock Option (right to buy) (1) (2)	\$ 7.12	12/22/2005		D		75,000	01/27/2007(3)	01/27/2013	Common Stock
Stock Option (right to buy) (1) (2)	\$ 14.23	12/22/2005		A	75,000		01/27/2007(4)	01/27/2013	Common Stock
Stock Option (right to buy) (5) (6)	\$ 10.24	12/22/2005		D		100,000	03/23/2008(7)	03/23/2014	Common Stock
Stock Option (right to buy) (5) (6)	\$ 17.62	12/22/2005		A	100,000		03/23/2008(7)	03/23/2014	Common Stock

D . I . 4. I. . .

Reporting Owners

Reporting Owner Name / Address	Keiauonsnips					
	Director	10% Owner	Officer	Other		
POLLITT BYRON H JR C/O FRANK GARCIA, GAP INC. TWO FOLSOM ST SAN FRANCISCO, CA 94105-1205			EVP, Chief Financial Officer			

Signatures

Frank Garcia by Power of
Attorney 12/23/2005

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) On Dec 22, 2005, pursuant to the issuer option exchange program, 75,000 options granted to the reporting person on Jan 27, 2003 were canceled.

(2)

Reporting Owners 2

Edgar Filing: GAP INC - Form 4

In exchange for the canceled option, the reporting person receives: 1) 75,000 options with an exercise price equal to the fair market value of the issuer common stock on the original grant date, 2) an immediate cash payment for any vested portion as of Dec 22, 2005, and 3) a promise for future cash payments on each of the vest dates.

- (3) The original grant equal to 100,000 options vest in four (4) equal installments of 25,000 shares beginning on Jan 27, 2004.
- (4) 25,000 of the new options are vested. The remaining 50,000 options vest in two (2) equal annual installments beginning on Jan 27, 2006.
- (5) On Dec 22, 2005, pursuant to the issuer option exchange program, 100,000 options granted to the reporting person on Mar 23, 2004 were cancelled.
- In exchange for the option, the reporting person receives: 1) 100,000 options with an exercise price equal to the fair market value of the (6) issuer common stock on Dec 22, 2005, 2) an immediate cash payment for any vested portion as of Dec 22, 2005, and 3) a promise for future cash payments on each of the vest dates.
- (7) 25,000 of the new and canceled options are vested. The remaining 75,000 options vest in three (3) equal annual installments beginning on Mar 23, 2006.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.