

GAP INC
Form 4
December 23, 2005

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
POLLITT BYRON H JR

(Last) (First) (Middle)

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

(Street)

SAN FRANCISCO, CA 94105-1205

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
GAP INC [GPS]

3. Date of Earliest Transaction
(Month/Day/Year)
12/22/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
EVP, Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
____ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) | Code V Amount (D) Price | | |

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

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SEC 1474 (9-02)

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

| 1. Title of Derivative Security | 2. Conversion or Exercise | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any | 4. Transaction Code | 5. Number of Derivative Securities Acquired (A) or | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Underlying Security (Instr. 3 and 4) |
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|--|--|---|
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|--|--|---|

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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 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.

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