

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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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

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 *
SAGE GAVIN EVA

(Last) (First) (Middle)

C/O 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
X Officer (give title below) ___ Other (specify below)

EVP, HUMAN RESOURCES

6. Individual or Joint/Group Filing(Check Applicable Line)
X 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 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	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8) Code	(A) or Disposed of (D) (Instr. 3, 4, and 5)	(A)	(D)	Date Exercisable	Expiration Date	Title	Ar or Nu of
Stock Option (right to buy) ⁽¹⁾ <u>(2)</u>	\$ 7.21	12/22/2005	D		37,500		03/31/2007 ⁽³⁾	03/31/2013	Common Stock	3
Stock Option (right to buy) ⁽¹⁾ <u>(2)</u>	\$ 14.41	12/22/2005	A		37,500		03/31/2007 ⁽⁴⁾	03/31/2013	Common Stock	3

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SAGE GAVIN EVA C/O GAP INC. TWO FOLSOM ST SAN FRANCISCO, CA 94105-1205			EVP, HUMAN RESOURCES	

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, 37,500 options granted to the reporting person on Mar 31, 2003 were cancelled.
- (2) In exchange for the cancelled option, the reporting person receives: 1) 37,500 options with an exercise price equal to the fair market value of the issuer common stock on the original date of grant, 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 option grant of 50,000 vests in (4) equal annual installments of 12,500 beginning on Mar 31, 2004.
- (4) 12,500 of the new options are vested. The remaining 25,000 options vest in two (2) equal annual installments beginning on Mar 31, 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.