GAP INC
Form 4
December 23, 2005

FORM 4

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

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

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).

(Print or Type Responses)

1. Name and Address of Reporting Person *
PRESSLER PAUL S

(Last) (First) (Middle)

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

(Street)

SAN FRANCISCO, CA 941051205

(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)
President & CEO

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 Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

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

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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 Disposed of (D)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title a Underlyi (Instr. 3

(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8) Code	V	(Instr. 3, 4, and 5) (A)	(D)	Date Exercisable	Expiration Date	Title
Stock Option (right to buy) (1) (2)	$ 5.92	12/22/2005	D			1,100,000	09/25/2007(3)	09/25/2012	Comm Stock
Stock Option (right to buy) (1) (2)	$ 11.83	12/22/2005	A		1,100,000		09/25/2007(4)	09/25/2012	Comm Stock

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PRESSLER PAUL S C/O FRANK GARCIA, GAP INC. TWO FOLSOM ST SAN FRANCISCO, CA 941051205			President & CEO	

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, 1,100,000 options granted to the reporting person on Sep 25, 2002 were cancelled.

(2) In exchange for the canceled option, the reporting person receives: (1) 1,100,000 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) 400,000 of the original grant of 2,000,000 options vests on 9/25/03. The remaining 1,600,000 vests prorata on a monthly basis thereafter for 48 months.

(4) 366,667 of the new options are vested. The remaining 733,333 will vest in twenty-two (22) equal monthly installments beginning on Dec 25, 2005.

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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