

GALLAGHER ARTHUR J & CO
 Form 4
 May 12, 2006

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 *
GALLAGHER J PATRICK JR

2. Issuer Name and Ticker or Trading Symbol
GALLAGHER ARTHUR J & CO [AJG]

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

(Last) (First) (Middle)
ARTHUR J. GALLAGHER & CO., TWO PIERCE PLACE
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
05/11/2006

Director 10% Owner
 Officer (give title below) Other (specify below)
President & CEO

ITASCA, IL 60143

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

6. Individual or Joint/Group Filing(Check Applicable Line)
 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 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 Ownership (Instr. 4)
				(A) or (D)	Price		
Common Stock	05/10/2006		G	V	4,750	D	\$ 135,041
Common Stock	05/11/2006		M		4,000	A	\$ 7.97 139,041
Common Stock	05/11/2006		S		2,000	D	\$ 27.018 137,041
Common Stock	05/10/2006		G	V	2,800	A	\$ 171,250
Common Stock					150,000	I	by Corporation
						I	by Trust ⁽²⁾

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Common Stock	101,238	I	by Spouse
Common Stock	88,406	I	by Trust 2
Common Stock (restricted)	20,341	D	

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 (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of
Non-Qualified Stock Option (right to buy)	\$ 7.97	05/11/2006		M	4,000	(3) 07/17/2006	Common Stock	4	
Non-Qualified Stock Option (right to buy)	\$ 9.25					(3) 08/30/2008	Common Stock	1	
Non-Qualified Stock Option (right to buy)	\$ 18.5					(3) 06/20/2010	Common Stock	2	
Non-Qualified Stock Option (right to buy)	\$ 22.7					(3) 07/21/2012	Common Stock	2	
Non-Qualified Stock Option (right to buy)	\$ 24.9					01/01/2004(3) 07/16/2013	Common Stock	5	
Non-Qualified Stock Option (right to buy)	\$ 26.5					(3) 07/19/2011	Common Stock	2	

Non-Qualified Stock Option (right to buy)	\$ 27.1	(3)	05/16/2015	Common Stock	1
Non-Qualified Stock Option (right to buy)	\$ 27.25	(3)	07/20/2015	Common Stock	5
Non-Qualified Stock Option (right to buy)	\$ 29.42	(3)	07/21/2014	Common Stock	5
Non-Qualified Stock Option (right to buy)	\$ 33.28		01/01/2005(3)	03/31/2014	Common Stock

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GALLAGHER J PATRICK JR ARTHUR J. GALLAGHER & CO. TWO PIERCE PLACE ITASCA, IL 60143	X		President & CEO	

Signatures

By: John C. Rosengren For: J. Patrick
Gallagher, Jr. 05/12/2006

**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) This transaction involves a gift.
- (2) Held in trust for benefit of minor children.
- (3) The stock option becomes exercisable 10% each year, commencing January 1 after the date of grant.

Remarks:

The directly owned common stock holdings reflected in Table I of this form include shares purchased through Arthur J. Gallag

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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