

GALLAGHER ARTHUR J & CO
 Form 4
 August 08, 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 *
GAULT JAMES S

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)
08/04/2006

____ Director
 Officer (give title below)
 ____ 10% Owner
 ____ Other (specify below)
Vice President

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 Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|
| | | | Code | V Amount (D) Price | | | |
| Common Stock | 08/04/2006 | | J ⁽¹⁾ | 1,216 A \$ 27.76 | 56,411 | I | by Trust |
| Common Stock | | | | | 32,572 | D | |
| Common Stock | | | | | 28,000 | I | by Spouse ⁽²⁾ |
| Common Stock (restricted) | | | | | 3,333 | D | |

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

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(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 (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 Shares |
| Non-Qualified Stock Option (right to buy) | \$ 9.25 | | | | | (3) | 08/30/2008 | Common Stock | 8,000 |
| Non-Qualified Stock Option (right to buy) | \$ 18.5 | | | | | (3) | 06/20/2010 | Common Stock | 20,000 |
| Non-Qualified Stock Option (right to buy) | \$ 22.7 | | | | | (3) | 07/21/2012 | Common Stock | 25,000 |
| Non-Qualified Stock Option (right to buy) | \$ 24.9 | | | | | 01/01/2004 ⁽³⁾ | 07/16/2013 | Common Stock | 35,000 |
| Non-Qualified Stock Option (right to buy) | \$ 26.5 | | | | | (3) | 07/19/2011 | Common Stock | 20,000 |
| Non-Qualified Stock Option (right to buy) | \$ 27.25 | | | | | (3) | 07/20/2015 | Common Stock | 35,000 |
| Non-Qualified Stock Option (right to buy) | \$ 29.42 | | | | | (3) | 07/21/2014 | Common Stock | 35,000 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|----------------|-------|
| | Director | 10% Owner | Officer | Other |
| GAULT JAMES S ARTHUR J. GALLAGHER & CO. TWO PIERCE PLACE ITASCA, IL 60143 | | | Vice President | |

Signatures

By: Douglas K. Howell For: James S.
Gault

08/07/2006

__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) Dividend reinvestment pursuant to the Arthur J. Gallagher & Co. Deferred Equity Participation Plan.
- (2) The reporting person disclaims beneficial ownership of these securities pursuant to Rule 16a-1(a)(4). This report shall not be deemed an admission that the reporting person is, for purposes of Section 16 or otherwise, the beneficial owner of such securities.
- (3) The stock option becomes exercisable 10% each year, commencing January 1 after the date of grant.

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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