

GALLAGHER ARTHUR J & CO
 Form 4
 May 18, 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 *
 GORDON ILENE 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)
 ITASCA, IL 60143
 (City) (State) (Zip)

3. Date of Earliest Transaction (Month/Day/Year)
 05/16/2006

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

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

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) | Amount | Price | | | |
| Common Stock (restricted) | 05/16/2006 | | A | 4,000 | A | 4,000 | | D | |
| Common Stock | | | | | | 4,000 | | D | |

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

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SEC 1474 (9-02)

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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 Securities (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) | \$ 1.11 | | | | | <u>(2)</u> 05/21/2011 | Common Stock 1,000 |
| Non-Qualified Stock Option (right to buy) | \$ 5.79 | | | | | 08/21/2003 <u>(2)</u> 05/20/2013 | Common Stock 1,500 |
| Non-Qualified Stock Option (right to buy) | \$ 6.38 | | | | | <u>(2)</u> 05/15/2010 | Common Stock 2,000 |
| Non-Qualified Stock Option (right to buy) | \$ 10.58 | | | | | <u>(2)</u> 05/17/2014 | Common Stock 1,500 |
| Non-Qualified Stock Option (right to buy) | \$ 10.86 | | | | | <u>(2)</u> 05/13/2012 | Common Stock 1,000 |
| Non-Qualified Stock Option (right to buy) | \$ 12.36 | | | | | <u>(3)</u> 07/06/2009 | Common Stock 7,920 |
| Non-Qualified Stock Option (right to buy) | \$ 18.5 | | | | | <u>(3)</u> 06/20/2010 | Common Stock 24,000 |
| Non-Qualified Stock Option (right to buy) | \$ 25.79 | | | | | 05/21/2004 <u>(3)</u> 05/20/2013 | Common Stock 25,000 |
| Non-Qualified Stock Option (right to buy) | \$ 26.11 | | | | | <u>(3)</u> 05/21/2011 | Common Stock 25,000 |
| Non-Qualified Stock Option (right to buy) | \$ 27.1 | | | | | <u>(3)</u> 05/16/2015 | Common Stock 25,000 |

| | | | | | |
|---|----------|-----|------------|-----------------|--------|
| Non-Qualified Stock Option (right to buy) | \$ 30.58 | (3) | 05/17/2014 | Common Stock | 25,000 |
| Non-Qualified Stock Option (right to buy) | \$ 35.86 | (3) | 05/13/2012 | Common Stock | 25,000 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| GORDON ILENE S ARTHUR J. GALLAGHER & CO. TWO PIERCE PLACE ITASCA, IL 60143 | X | | | |

Signatures

By: John C. Rosengren For: Ilene S.
Gordon

05/17/2006

**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) Restricted stock award vesting in equal parts over three year period.
- (2) The stock option becomes exercisable in four equal quarterly installments, commencing three months after the date of grant. Option expires upon death or retirement of director.
- (3) The stock option becomes exercisable in three equal annual installments, commencing one year 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. 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.