

GALLAGHER ARTHUR J & CO  
 Form 4  
 March 16, 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 ROBERT E**

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)  
**03/14/2006**

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

**ITASCA, IL 60143**

(City) (State) (Zip)

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 Indirect Beneficial Ownership (Instr. 4)
				(A) or (D)	Price		
				Code	V	Amount	
Common Stock (restricted)	03/14/2006		A	8,618	A	16,951	D
Common Stock						524,469	D
Common Stock						200,000	I by Corporation (2)
Common Stock						300,000	I by Trust (3)

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Common Stock	300,000	I	by Trust 2 <sup>(4)</sup>
Common Stock	276,048	I	by Trust 3 <sup>(5)</sup>
Common Stock	400,000	I	by Trust 4 <sup>(6)</sup>
Common Stock	500,000	I	by Trust 5 <sup>(7)</sup>
Common Stock	100,000	I	by Trust 6 <sup>(8)</sup>

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

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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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 Securities (Instr. 3 and 4)	Amount or Number of Shares	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	
Non-Qualified Stock Option (right to buy)	\$ 27.1					<sup>(9)</sup>	05/16/2015	Common Stock	18,450

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GALLAGHER ROBERT E ARTHUR J. GALLAGHER & CO. TWO PIERCE PLACE ITASCA, IL 60143	X		Chairman	

## Signatures

By: John C. Rosengren For: Robert E.  
Gallagher

03/16/2006

\_\_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 two-year period.

100,000 of these shares were previously reported as directly beneficially owned by the reporting person, and 100,000 of these shares were previously reported as indirectly beneficially owned by the reporting person. All 200,000 shares were contributed by the reporting person on October 31, 2005 to Flagship III, LLC, a limited liability company, of which the voting LLC membership interests are owned by the reporting person and his spouse, and the non-voting LLC membership interests are owned by two grantor annuity trusts (one established by the reporting person and for which he is the trustee, and one established by the reporting person's spouse and for which she is the trustee).

(3) Held in irrevocable trust by three trustees for the benefit of spouse.

(4) Held in trust for benefit of grandchildren.

(5) Held in trust for benefit of daughter.

(6) Held in irrevocable charitable trust.

(7) Securities are held of record by Flagship Limited Partnership, an Illinois limited partnership ("Flagship"). The reporting person is the general partner of Flagship and, as such, may be deemed to be beneficial owner of such shares. The reporting person disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

(8) Securities held of record by Flagship II, LLC, an Illinois limited liability company. Voting membership interests are owned by the reporting person and non-voting membership interests are owned by the reporting person (1%) and a family trust (99%). The reporting person disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein.

(9) 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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