

GALLAGHER ARTHUR J & CO
 Form 4
 August 19, 2008

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 *
DURKIN JAMES W 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

3. Date of Earliest Transaction (Month/Day/Year)
08/15/2008

____ Director
 Officer (give title below) _____ Other (specify below)
Vice President

(Street)
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)
			Code	V Amount (A) or (D) Price			
Common Stock	08/15/2008		M	40,000 A \$ 9.25	288,630	D	
Common Stock	08/15/2008		S	40,000 D \$ 26.0785	248,630	D	
Common Stock					54,469	I	by Trust
Common Stock (restricted)					7,349	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 Underlying Security (Instr. 3 and 4)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title
Non-Qualified Stock Option (right to buy)	\$ 9.25	08/15/2008		M	40,000	<u>(1)</u>	08/30/2008	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 18.5					<u>(1)</u>	06/20/2010	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 22.7					<u>(1)</u>	07/21/2012	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 23.76					<u>(2)</u>	03/05/2018	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 24.9					01/01/2004 ⁽¹⁾	07/16/2013	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 26.5					<u>(1)</u>	07/19/2011	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 27.25					<u>(1)</u>	07/20/2015	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 28.65					<u>(2)</u>	05/15/2017	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 29.42					<u>(1)</u>	07/21/2014	Common Stock

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DURKIN JAMES W JR ARTHUR J. GALLAGHER & CO. TWO PIERCE PLACE ITASCA, IL 60143			Vice President	

Signatures

James W. Durkin Jr.	08/19/2008
**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) The stock option becomes exercisable 10% each year, commencing January 1 after the date of grant.
- (2) The stock option becomes exercisable 20% each year on the anniversary of the grant date.

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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