MORFITT MARTHA A M

Form 4

December 12, 2005

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

OMB Number:

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SECURITIES Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,

obligations may continue. See Instruction

Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1(b).

(Last)

(City)

(Print or Type Responses)

1. Name and Address of Reporting Person * MORFITT MARTHA A M

(First)

(Street)

(State)

2. Issuer Name and Ticker or Trading Symbol

5. Relationship of Reporting Person(s) to

(Check all applicable)

Issuer

(Middle)

(Zip)

3. Date of Earliest Transaction

X_ Director

10% Owner

88 11TH AVENUE NE

(Month/Day/Year)

GRACO INC [GGG]

11/02/2005

below)

Other (specify Officer (give title

4. If Amendment, Date Original

Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check

Applicable Line) _X_ Form filed by One Reporting Person

Form filed by More than One Reporting

MINNEAPOLIS, MN 55413

Person Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

						-	· •		· -
1.Title of Security (Instr. 3)		onth/Day/Year) Execution Date, if any		3. 4. Securities Acquired Transaction(A) or Disposed of (D) Code (Instr. 3, 4 and 5) (Instr. 8)			Beneficially For Owned (D) Following Ind Reported (Ins	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code V	Amount	or (D)	Price	Transaction(s) (Instr. 3 and 4)		
Common Stock	12/08/2005		M	10,125	A	\$ 3.73	12,422	D	
Common Stock	12/08/2005		M	7,593	A	\$ 5.23	20,015	D	
Common Stock	12/08/2005		M	5,000	A	\$ 10.31	25,015	D	

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

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(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. 5. Number of TransactionDerivative Code Securities Acquired (Instr. 8) (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and A Underlying S (Instr. 3 and 4	
				Code V	(A)	(D)	Date Exercisable	Expiration Date	Title
Non-Qualified Stock Option (right to buy)	\$ 3.73	12/08/2005		M		10,125	<u>(1)</u>	05/07/2006	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 5.23	12/08/2005		M		7,593	<u>(1)</u>	05/06/2007	Common Stock
Non-Qualified Stock Option (right to buy)	\$ 10.31	12/08/2005		M		5,000	<u>(1)</u>	05/05/2008	Common Stock
Phantom Stock Units	\$ 0 (2)	11/02/2005		J	48.872		(2)	(2)	Common Stock

Reporting Owners

Reporting Owner Name / Address	Relationships						
•	Director	10% Owner	Officer	Other			
MORFITT MARTHA A M 88 11TH AVENUE NE MINNEAPOLIS, MN 55413	X						

Signatures

By: Kristen C. Nelson For: Martha A.M.
Morfitt

12/12/2005

**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).
- Nonemployee director stock option granted pursuant to the Graco Inc. Nonemployee Director Stock Option Plan in transaction exempt (1) under Rule 16b-3. The stock option becomes exercisable in four equal annual installments commencing one year after the date of the grant.
- (2) Dividends on the accrued phantom stock units were credited under the Graco Inc. Stock Incentive Plan and are to be settled 100% in Graco common stock in a lump sum or installments upon reporting person's termination of service on the Board.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Reporting Owners 2

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