GRACO INC Form 4 January 04, 2006

FORM 4

OMB APPROVAL OMB

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

3235-0287 Number: January 31, Expires:

Section 16. Form 4 or

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF **SECURITIES**

2005 Estimated average burden hours per response... 0.5

Form 5 obligations may continue. See Instruction

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(b).

1. Name and Address of Reporting Person * **EUGSTER JACK W**

2. Issuer Name and Ticker or Trading

5. Relationship of Reporting Person(s) to Issuer

Symbol

GRACO INC [GGG]

(Check all applicable)

(First) (Middle) (Last)

(Street)

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

X_ Director 10% Owner Officer (give title Other (specify

88 11TH AVENUE NE

11/02/2005

6. Individual or Joint/Group Filing(Check

4. If Amendment, Date Original Filed(Month/Day/Year)

Applicable Line)

X 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

below)

MINNEAPOLIS, MN 55413

Security

(Instr. 3)

(City) (State) (Zip) 1.Title of 2. Transaction Date 2A. Deemed

4. Securities (Month/Day/Year) Execution Date, if TransactionAcquired (A) or Code Disposed of (D) (Month/Day/Year) (Instr. 8) (Instr. 3, 4 and 5)

5. Amount of 6. Ownership 7. Nature of Securities Form: Direct Indirect Beneficially (D) or Indirect Beneficial Owned Ownership Following (Instr. 4) (Instr. 4)

Reported (A) Transaction(s) or (Instr. 3 and 4)

Code V Amount (D) Price

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

Persons who respond to the collection of SEC 1474 information contained in this form are not (9-02)required to respond unless the form displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of	2.	3. Transaction Date	3A. Deemed	4.	5. Number of	6. Date Exercisable and	7. Title and Amount of	8
Derivative	Conversion	(Month/Day/Year)	Execution Date, if	Transactio	orDerivative	Expiration Date	Underlying Securities]
Security	or Exercise		any	Code	Securities	(Month/Day/Year)	(Instr. 3 and 4)	5
(Instr. 3)	Price of		(Month/Day/Year)	(Instr. 8)	Acquired (A)			(

8. Pı

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	Security Security			or Dispos (D) (Instr. 3, 4 and 5)						
			Code	V (A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Phantom Stock Units	\$ 0 <u>(1)</u>	11/02/2005	J	6.197		<u>(1)</u>	<u>(1)</u>	Common Stock	6.197	34.
Phantom Stock Units	\$ 0 (2)	01/01/2006	A	268.64		(2)	(2)	Common Stock	268.64	\$ 3

Reporting Owners

Reporting Owner Name / Address	Relationships				
reporting owner runte, runtess	Director	10% Owner	Officer	Other	
EUGSTER JACK W 88 11TH AVENUE NE MINNEAPOLIS, MN 55413	X				

Signatures

By: Kristen C. Nelson For: Jack W.

Eugster 01/04/2006

**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) 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.
- (2) The phantom stock units were accrued 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. 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.

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