VAN DYKE WILLIAM G

Form 4

January 10, 2006

FORM 4

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

OMB Number:

Expires:

response...

3235-0287 January 31,

0.5

Check this box if no longer subject to Section 16. Form 4 or

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

2005 Estimated average burden hours per

OMB APPROVAL

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

1(b).

(Print or Type Responses)

1. Name and Address o VAN DYKE WILI		2. Issuer Name and Ticker or Trading Symbol GRACO INC [GGG]	5. Relationship of Reporting Person(s) to Issuer (Check all applicable)		
(Last) (Fir	st) (Middle)	3. Date of Earliest Transaction	(Check an applicable)		
88 11TH AVENUE	E NE	(Month/Day/Year) 01/09/2006	_X_ Director 10% Owner Officer (give title Other (specify below)		
(Str	eet)	4. If Amendment, Date Original	6. Individual or Joint/Group Filing(Check		
MINNEAPOLIS, N	MN 55413	Filed(Month/Day/Year)	Applicable Line) _X_ Form filed by One Reporting Person Form filed by More than One Reporting Person		

(City)	(State)	(Zip) Tabl	e I - Non-I	Derivative (Securi	ties Acqu	ired, Disposed of	, or Beneficial	y Owned
1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year) 2A. Deemed Execution Date, if any (Month/Day/Year)		3. 4. Securities Acquired Transactior(A) or Disposed of (D) Code (Instr. 3, 4 and 5) (Instr. 8) (A) or		Beneficially For Owned (D) Following Inc.	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)		
Common Stock	01/09/2006		Code V M	Amount 10,125	(D)	Price \$ 3.73	18,036.839	D	
Common Stock	01/09/2006		S <u>(1)</u>	969	D	\$ 38.97	17,067.839	D	

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)

Edgar Filing: VAN DYKE WILLIAM G - Form 4

1. Title of	2.	3. Transaction Date	3A. Deemed	4.	5. Number of	6. Date Exer	cisable and	7. Title and A	Amoun
Derivative	Conversion	(Month/Day/Year)	Execution Date, if	Transactio	orDerivative	Expiration D	ate	Underlying S	Securit
Security	or Exercise		any	Code	Securities	(Month/Day/	Year)	(Instr. 3 and	4)
(Instr. 3)	Price of		(Month/Day/Year)	(Instr. 8)	Acquired (A)				
	Derivative				or Disposed of				
	Security				(D)				
					(Instr. 3, 4,				
					and 5)				
						Date Exercisable	Expiration Date	Title	Amo or Num
				Code V	(A) (D)				of Sh
Non-Qualified Stock Option	\$ 3.73	01/09/2006		M	10,125	(2)	05/07/2006	Common Stock	10,1
(right to buy)									

Reporting Owners

Reporting Owner Name / Address	Relationships						
•	Director	10% Owner	Officer	Other			
VAN DYKE WILLIAM G 88 11TH AVENUE NE MINNEAPOLIS, MN 55413	X						

Signatures

By: Kristen C. Nelson For: William G. Van

O1/10/2006

**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) Shares tendered to cover the exercise price of stock option granted pursuant to the Graco Inc. Nonemployee Director Stock Option Plan were withdrawn from the Graco Inc. Automatic Dividend Reinvestment Plan and will be cancelled.
- Nonemployee director stock option granted pursuant to the Graco Inc. Nonemployee Director Stock Option Plan in transaction exempt under Rule 16b-3. The stock option becomes exercisable in four equal annual installments commencing one year after the date of the 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.

Reporting Owners 2