GRACO INC Form 4 January 03, 2007

FORM 4

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

Check this box if no longer subject to Section 16.

Form 4 or

SECURITIES

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

Form 5 obligations may continue. See Instruction 1(b).

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)

88 11TH AVENUE NE

(Last)

1. Name and Address of Reporting Person * GILLIGAN J KEVIN

(First)

(Street)

2. Issuer Name and Ticker or Trading Symbol

5. Relationship of Reporting Person(s) to Issuer

GRACO INC [GGG] (Middle)

3. Date of Earliest Transaction

(Month/Day/Year) 01/01/2007

4. If Amendment, Date Original

Filed(Month/Day/Year)

below) 6. Individual or Joint/Group Filing(Check

(Check all applicable)

10% Owner

Other (specify

Applicable Line)

X_ Director

Officer (give title

X Form filed by One Reporting Person Form filed by More than One Reporting Person

MINNEAPOLIS, MN 55413

(City) (State) (Zip) Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of 2. Transaction Date 2A. Deemed Security (Instr. 3)

(Month/Day/Year) Execution Date, if (Month/Day/Year)

4. Securities TransactionAcquired (A) or Code Disposed of (D) (Instr. 8) (Instr. 3, 4 and 5)

5. Amount of Securities Beneficially Owned Following Reported

6. Ownership 7. Nature of Form: Direct Indirect (D) or Indirect Beneficial Ownership (Instr. 4) (Instr. 4)

OMB APPROVAL

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January 31,

2005

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Number:

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response...

Estimated average

burden hours per

(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.

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SEC 1474 (9-02)

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

1. Title of Derivative Conversion Security or Exercise

Price of

(Instr. 3)

3. Transaction Date 3A. Deemed (Month/Day/Year)

Execution Date, if (Month/Day/Year)

5. Number of 4 TransactionDerivative Code Securities (Instr. 8) Acquired (A)

6. Date Exercisable and **Expiration Date** (Month/Day/Year)

7. Title and Amount of **Underlying Securities** (Instr. 3 and 4)

Deri Secu (Inst

8. Pı

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Derivative or Disposed of Security (D)

(Instr. 3, 4, and 5)

Code V (A) (D) Date Expiration Title Amount

Exercisable Date

> Number of Shares

Phantom

Stock $\$ 0 \frac{(1)}{1}$ 01/01/2007 310.45 (1) A Units

Common (1) Stock

310.45

Reporting Owners

Relationships Reporting Owner Name / Address

> Director 10% Owner Officer Other

GILLIGAN J KEVIN 88 11TH AVENUE NE X MINNEAPOLIS, MN 55413

Signatures

By: Kristen C. Nelson, attorney-in-fact For: J. Kevin

01/03/2007 Gilligan

> **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).
- The phantom stock units were accrued under the Amended and Restated Graco Inc. Stock Incentive Plan (2006) 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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