VAN DYKE WILLIAM G

Form 4 January 10, 2006

FORM 4

Check this box

if no longer

Section 16.

Form 4 or

subject to

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

OMB APPROVAL OMB

Number:

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Form filed by More than One Reporting

January 31, 2005

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SECURITIES

Form 5 Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, obligations Section 17(a) of the Public Utility Holding Company Act of 1935 or Section may continue. 30(h) of the Investment Company Act of 1940 See Instruction

(Print or Type Responses)

1(b).

1. Name and Address of Reporting Person * 5. Relationship of Reporting Person(s) to 2. Issuer Name and Ticker or Trading VAN DYKE WILLIAM G Issuer Symbol **GRACO INC [GGG]** (Check all applicable) (First) (Middle) (Last) 3. Date of Earliest Transaction X_ Director (Month/Day/Year) 10% Owner Officer (give title Other (specify 88 11TH AVENUE NE 01/09/2006 below) (Street) 4. If Amendment, Date Original 6. Individual or Joint/Group Filing(Check Filed(Month/Day/Year) Applicable Line) _X_ Form filed by One Reporting Person

MINNEAPOLIS, MN 55413

Stock

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

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

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38.97

Person

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

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

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.

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