

☐ Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

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| OMB APPROVAL                                 |           |
| OMB Number:                                  | 3235-0287 |
| Estimated average burden hours per response: | 0.5       |

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|--|--|--|--|--|--|--|--|--|
| 1. Name and Address of Reporting Person *<br><u>VAN DYKE WILLIAM G</u> |  |  | 2. Issuer Name and Ticker or Trading Symbol<br><u>GRACO INC</u> [ <u>GGG</u> ] |  |  | 5. Relationship of Reporting Person(s) to Issuer<br>(Check all applicable)<br><br><input checked="" type="checkbox"/> Director 10% Owner<br><br>Officer (give title below) Other (specify below) |  |  |
| (Last) (First) (Middle)<br><u>88 11TH AVENUE NE</u>                    |  |  | 3. Date of Earliest Transaction (Month/Day/Year)<br><u>02/06/2006</u>          |  |  | 6. Individual or Joint/Group Filing (Check Applicable Line)<br><br><input checked="" type="checkbox"/> Form filed by One Reporting Person<br><br>Form filed by More than One Reporting Person    |  |  |
| (Street)<br><u>MINNEAPOLIS MN</u> <u>55413</u>                         |  |  | 4. If Amendment, Date of Original Filed (Month/Day/Year)                       |  |  |  |  |  |
| (City) (State) (Zip)   |  |  |  |  |  |  |  |  |

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

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) |   | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) |            |           | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|-----------|---|--|---|
|                                 |                                      |  | Code                           | V | Amount  | (A) or (D) | Price     |   |  |   |
| Common Stock                    | 02/06/2006                           |  | J <sup>(1)</sup>               |   | 62.425  | A          | \$39.5039 | 17,069.525  | D  |   |
| Common Stock                    | 05/08/2006                           |  | J <sup>(1)</sup>               |   | 14.589  | A          | \$47.4944 | 14,084.114  | D  |   |

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. Transaction Code (Instr. 8) |   | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) |     | 6. Date Exercisable and Expiration Date (Month/Day/Year) |                 | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) |                            | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----|--|-----------------|---|----------------------------|--|--|---|--|
|  |  |                                      |  | Code                           | V | (A)  | (D) | Date Exercisable   | Expiration Date | Title   | Amount or Number of Shares |  |  |   |  |
| Phantom Stock Units                        | \$0 <sup>(2)</sup>                                     | 02/06/2006                           |  | J                              |   | 66.54  |     | (2)  | (2)             | Common Stock  | 66.54                      | \$39.5039                                  | 18,190.431   | D   |  |
| Phantom Stock Units                        | \$0 <sup>(3)</sup>                                     | 05/08/2006                           |  | J                              |   | 56.501   |     | (3)  | (3)             | Common Stock  | 56.501                     | \$47.4944                                  | 18,558.952   | D   |  |
| Phantom Stock Units                        | \$0 <sup>(4)</sup>                                     | 07/01/2006                           |  | A                              |   | 313.73   |     | (4)  | (4)             | Common Stock  | 313.73                     | \$45.98                                    | 18,872.682   | D   |  |

Explanation of Responses:

1. Shares of Graco Common Stock acquired under the Graco Inc. Automatic Dividend Reinvestment Plan, exempt under Rule 16a-11.
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.
3. Dividends on the accrued phantom stock units were credited 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.
4. 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.

Remarks:

A signed Power of Attorney is in our office. Due to a computer system error it has not been filed with the SEC. As soon as the computer system error is resolved, it will be filed with the SEC.

By: /s/ Kristen C. Nelson,  
attorney in fact For: William G. 07/05/2006  
Van Dyke

\*\* Signature of Reporting Person                      Date

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

\* 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).

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.