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## FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

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		Washington, D.C. 20549		[	OMB A	PPROVAL	
Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).		NT OF CHANGES IN BENEFICIAL OWNI	OMB Number: 3235-0 Estimated average burden hours per response:				
1. Name and Address of Reporting Person*		or Section 30(h) of the investment Company Act of 1940 2. Issuer Name <b>and</b> Ticker or Trading Symbol GRACO INC [ggg]		onship of Re Il applicable)	porting Person	n(s) to Issuer	
GILLIGAN J KEVIN (Last) (First) 88 11TH AVENUE NE	(Middle)	3. Date of Earliest Transaction (Month/Day/Year) 07/01/2004		Director Officer (give below)	title	10% Owner Other (specify below)	
(Street) MINEAPOLIS MN	55413	4. If Amendment, Date of Original Filed (Month/Day/Year) 07/01/2004	Line) X	Form filed b	Group Filing (C y One Reporti y More than O	•	0.5
(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)	Code (	ction	4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			Securities	(D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership
			Code	v	Amount	(A) or (D)	Price	Transaction(s) (Instr. 3 and 4)		(Instr. 4)

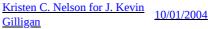
## Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

	(c.g., puls, cans, 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. Transa Code ( 8)		of		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>(1)</sup>	07/01/2004		A		371.5		(1)	(1)	Common Stock	371.5	\$31.05	5,461.127	D	
Phantom Stock Units	\$0 <sup>(2)</sup>	05/05/2004		J		16.506		(2)	(2)	Common Stock	16.506	\$28.7232	5,477.633	D	

## **Explanation of Responses:**

1. The phantom stock units were accrued under the Graco Inc. Nonemployee Director Stock 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. Dividends on the accrued phantom stock units were credited under the Graco Inc. Nonemployee Director Stock 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.



\*\* Signature of Reporting Person Date

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

 $\ast$  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.