

GRACO INC
Form 4
March 17, 2006

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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)

1. Name and Address of Reporting Person *
KOCH D CHRISTIAN

(Last) (First) (Middle)
88 11TH AVENUE NE

(Street)

MINNEAPOLIS, MN 55413

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
GRACO INC [GGG]

3. Date of Earliest Transaction (Month/Day/Year)
03/15/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)

VICE PRESIDENT

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

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 | (D) | Price | | |
| Common Stock | 03/15/2006 | | M | | 2,812 | A | \$ 11.71 | 10,311 | D |
| Common Stock | 03/15/2006 | | M | | 8,437 | A | \$ 18.39 | 18,748 | D |
| Common Stock | 03/15/2006 | | M | | 11,250 | A | \$ 17.34 | 29,998 | D |
| Common Stock | 03/15/2006 | | F ⁽¹⁾ | | 5,841 | D | \$ 41.99 | 24,157 | D |
| Common Stock | 03/16/2006 | | S | | 16,658 | D | \$ 42.5784 | 7,499 | D |

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

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(9-02)

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 Underlying Security (Instr. 3 and 4) | 8. Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|-------------------------------|
| Non-Qualified Stock Option (right to buy) | \$ 11.71 | 03/15/2006 | | M | 2,812 | <u>(2)</u> 02/23/2011 | Common Stock | 2,812 |
| Non-Qualified Stock Option (right to buy) | \$ 17.34 | 03/15/2006 | | M | 11,250 | <u>(3)</u> 02/21/2013 | Common Stock | 11,250 |
| Non-Qualified Stock Option (right to buy) | \$ 18.39 | 03/15/2006 | | M | 8,437 | <u>(3)</u> 02/22/2012 | Common Stock | 8,437 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|----------------|-------|
| | Director | 10% Owner | Officer | Other |
| KOCH D CHRISTIAN 88 11TH AVENUE NE MINNEAPOLIS, MN 55413 | | | VICE PRESIDENT | |

Signatures

By: Kristen C. Nelson For: D. Christian Koch
Date: 03/17/2006

**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)

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Transaction exempt under Rule 16b-3(e); stock delivered to issuer to cover the exercise price, or stock retained by issuer to cover withholding taxes.

- (2) Employee stock option granted pursuant to the Graco Inc. Long-Term Stock Incentive Plan in a 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.
- (3) Employee stock option granted pursuant to the Graco Inc. Stock Incentive 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.

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