

SHEAHAN MARK W  
Form 4  
February 22, 2006

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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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 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 \*  
SHEAHAN MARK W

(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)  
02/17/2006

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)  
CHIEF ADMINISTRATIVE OFFICER

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) |          |   |         |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|----------|---|---------|
|                                 |                                      |  |                                | (A) or (D)  | Price   |  |   |          |   |         |
| Common Stock                    | 03/31/2005                           |  | J(1)                           | V   | 0.6587  | A  | \$ 40.36  | 348.5216 | I | by ESOP |
| Common Stock                    | 06/30/2005                           |  | J(1)                           | V   | 2.4464  | A  | \$ 31.05  | 350.968  | I | by ESOP |
| Common Stock                    | 09/30/2005                           |  | J(1)                           | V   | 1.1805  | A  | \$ 34.28  | 352.1485 | I | by ESOP |
| Common Stock                    | 12/31/2005                           |  | J(1)                           | V   | 0.8836  | A  | \$ 36.48  | 353.0321 | I | by ESOP |
| Common Stock                    |                                      |  |                                |   |   |  |   | 11,187   | D |         |

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Common Stock 964 I by Spouse

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

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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)  | \$ 40.68 (2)   | 02/17/2006                           |  | A                              | 22,500  | (2) 02/17/2016   | Common Stock  | 22,500                        |

Reporting Owners

| Reporting Owner Name / Address                               | Relationships |           |                              |       |
|--|---------------|-----------|------------------------------|-------|
|  | Director      | 10% Owner | Officer                      | Other |
| SHEAHAN MARK W<br>88 11TH AVENUE NE<br>MINNEAPOLIS, MN 55413 |               |           | CHIEF ADMINISTRATIVE OFFICER |       |

Signatures

By: Kristen C. Nelson For: Mark W. Sheahan 02/21/2006

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) ESOP - Dividends paid pursuant to the Graco Employee Stock Ownership Plan, exempt under Rule 16b-3(c).
- (2) 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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