

GRACO INC
Form 4
February 23, 2007

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

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 *
LOWE DAVID M

(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)
02/21/2007

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 or Price | | |
| Common Stock | 02/21/2007 | | M | | 50,625 A \$ 6.15 | 94,173 | D |
| Common Stock | 02/21/2007 | | S | | 225 D \$ 41.87 | 93,948 | D |
| Common Stock | 02/21/2007 | | S | | 100 D \$ 41.85 | 93,848 | D |
| Common Stock | 02/21/2007 | | S | | 200 D \$ 41.83 | 93,648 | D |
| Common Stock | 02/21/2007 | | S | | 100 D \$ 41.82 | 93,548 | D |

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| | | | | | | | |
|--------------|------------|---|-------|---|----------|--------|---|
| Common Stock | 02/21/2007 | S | 100 | D | \$ 41.81 | 93,448 | D |
| Common Stock | 02/21/2007 | S | 300 | D | \$ 41.8 | 93,148 | D |
| Common Stock | 02/21/2007 | S | 100 | D | \$ 41.79 | 93,048 | D |
| Common Stock | 02/21/2007 | S | 200 | D | \$ 41.77 | 92,848 | D |
| Common Stock | 02/21/2007 | S | 600 | D | \$ 41.76 | 92,248 | D |
| Common Stock | 02/21/2007 | S | 800 | D | \$ 41.75 | 91,448 | D |
| Common Stock | 02/21/2007 | S | 1,000 | D | \$ 41.74 | 90,448 | D |
| Common Stock | 02/21/2007 | S | 400 | D | \$ 41.73 | 90,048 | D |
| Common Stock | 02/21/2007 | S | 200 | D | \$ 41.72 | 89,848 | D |
| Common Stock | 02/21/2007 | S | 400 | D | \$ 41.71 | 89,448 | D |
| Common Stock | 02/21/2007 | S | 1,200 | D | \$ 41.7 | 88,248 | D |
| Common Stock | 02/21/2007 | S | 500 | D | \$ 41.69 | 87,748 | D |
| Common Stock | 02/21/2007 | S | 300 | D | \$ 41.68 | 87,448 | D |
| Common Stock | 02/21/2007 | S | 100 | D | \$ 41.67 | 87,348 | D |
| Common Stock | 02/21/2007 | S | 900 | D | \$ 41.66 | 86,448 | D |
| Common Stock | 02/21/2007 | S | 4,800 | D | \$ 41.65 | 81,648 | D |
| Common Stock | 02/21/2007 | S | 1,700 | D | \$ 41.64 | 79,948 | D |
| Common Stock | 02/21/2007 | S | 1,300 | D | \$ 41.63 | 78,648 | D |
| Common Stock | 02/21/2007 | S | 1,100 | D | \$ 41.62 | 77,548 | D |
| Common Stock | 02/21/2007 | S | 2,800 | D | \$ 41.61 | 74,748 | D |
| | 02/21/2007 | S | 2,600 | D | \$ 41.6 | 72,148 | D |

| | | | | | | | | |
|--------------|------------|--|---|-----|---|----------|----------|-----------|
| Common Stock | | | | | | | | |
| Common Stock | 02/21/2007 | | S | 400 | D | \$ 41.59 | 71,748 | D |
| Common Stock | 02/21/2007 | | S | 100 | D | \$ 41.57 | 71,648 | D |
| Common Stock | 02/21/2007 | | S | 100 | D | \$ 41.52 | 71,548 | D |
| Common Stock | | | | | | | 357,5215 | I by ESOP |

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) | \$ 6.15 | 02/21/2007 | | M | 50,625 | <u>(1)</u> 02/28/2007 | Common Stock | 50,000 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|----------------|-------|
| | Director | 10% Owner | Officer | Other |
| LOWE DAVID M 88 11TH AVENUE NE MINNEAPOLIS, MN 55413 | | | Vice President | |

Signatures

By: Kristen C. Nelson, attorney-in-fact For: David M.
Lowe

02/23/2007

__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) 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 two years 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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