

GRACO INC

Form 4

February 23, 2007

FORM 4
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

OMB APPROVAL

OMB
Number: 3235-0287
Expires: January 31,
2005
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(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
X Officer (give title below) ____ Other (specify
below)

Vice President

6. Individual or Joint/Group Filing(Check
Applicable Line)
X 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	(A) or (D)	Price
Common Stock	02/21/2007		M		50,625	A	\$ 6.15
Common Stock	02/21/2007		S		225	D	\$ 41.87
Common Stock	02/21/2007		S		100	D	\$ 41.85
Common Stock	02/21/2007		S		200	D	\$ 41.83
Common Stock	02/21/2007		S		100	D	\$ 41.82

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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
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Common Stock	02/21/2007	S	100	D	\$ 41.57	71,648	D
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Common Stock	02/21/2007	S	100	D	\$ 41.52	71,548	D
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Common Stock						357,5215	I	by ESOP
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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(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 Underlying Security (Instr. 3 and 4)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	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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