

GRACO INC  
Form 4  
February 20, 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

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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 \*  
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)  
02/16/2007

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 Ownership (Instr. 4)
				(A) or (D) Price			
Common Stock					43,548	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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SEC 1474 (9-02)

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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)	Amount or Number of Shares	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Non-Qualified Stock Option (right to buy)	\$ 41.36 <sup>(1)</sup>	02/16/2007		A	22,500	<u>(1)</u>	02/16/2017	Common Stock	22,500
Non-Qualified Stock Option (right to buy)	\$ 6.15					<u>(2)</u>	02/28/2007	Common Stock	50,000
Non-Qualified Stock Option (right to buy)	\$ 6.37					<u>(2)</u>	02/22/2009	Common Stock	25,000
Non-Qualified Stock Option (right to buy)	\$ 8.74					<u>(2)</u>	02/27/2008	Common Stock	16,800
Non-Qualified Stock Option (right to buy)	\$ 9.09					<u>(3)</u>	02/23/2010	Common Stock	25,000
Non-Qualified Stock Option (right to buy)	\$ 11.71					<u>(3)</u>	02/23/2011	Common Stock	16,800
Non-Qualified Stock Option (right to buy)	\$ 17.34					<u>(4)</u>	02/21/2013	Common Stock	22,500
Non-Qualified Stock Option (right to buy)	\$ 18.39					<u>(4)</u>	02/22/2012	Common Stock	16,800
Non-Qualified Stock Option (right to buy)	\$ 27.91					<u>(5)</u>	02/20/2014	Common Stock	22,500
Non-Qualified Stock Option (right to buy)	\$ 38.13 <sup>(5)</sup>					<u>(5)</u>	02/18/2015	Common Stock	22,500
Non-Qualified Stock Option	\$ 40.68 <sup>(5)</sup>					<u>(5)</u>	02/17/2016	Common Stock	22,500

