

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

☐ Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person * <u>LOWE DAVID M</u> (Last) (First) (Middle) <u>88 11TH AVENUE NE</u> (Street) <u>MINNEAPOLIS MN</u> <u>55413</u> (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>GRACO INC</u> [<u>GGG</u>] 3. Date of Earliest Transaction (Month/Day/Year) <u>02/21/2007</u> 4. If Amendment, Date of Original Filed (Month/Day/Year)	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <u>Vice President</u> 6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person Form filed by More than One Reporting Person
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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	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	
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	
Common Stock	02/21/2007		S		2,600	D	\$41.6	72,148	D	
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

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 Securities Underlying Derivative Security (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 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	(I)	02/28/2007	Common Stock	50,625	\$3.11	0	D	

Explanation of Responses:

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.

By: [Kristen C. Nelson](#),
[attorney-in-fact For: David M. Lowe](#) [02/23/2007](#)

** Signature of Reporting Person Date

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

* 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).

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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