

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Graco Inc.		2 Issuer's employer identification number (EIN) 41-0285640	
3 Name of contact for additional information Christian Rothe	4 Telephone No. of contact 612-623-6000	5 Email address of contact	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact P.O. Box 1441		7 City, town, or post office, state, and ZIP code of contact Minneapolis, MN 55440-1441	
8 Date of action December 27, 2017		9 Classification and description Common Stock, \$1.00 par value	
10 CUSIP number 384109104	11 Serial number(s)	12 Ticker symbol GGG	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ The organization action is a three-for-one stock split announced on December 8, 2017, payable on December 27, 2017 to stockholders of record at the close of business on December 18, 2017.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ A U.S. taxpayer will receive two additional shares of common stock for each original share owned by the taxpayer. The adjusted basis of each original share owned by the taxpayer will be allocated between the original share and the additional shares proportionately. Accordingly, the adjusted basis in each original share will be reduced by 2/3 and the taxpayer will have a basis in each additional share equal to 1/3 of his basis in each original share. There will be no change in the taxpayer's aggregate basis in the total shares owned before and after the organizational action.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ The fair market value of each original share at the close of business on the split date was \$135.50. Immediately following the split, each original share had a fair market value of \$45.17, and each additional share had a fair market value of \$45.17. The fair market value of the aggregate outstanding shares was the same immediately before and immediately after the organizational action.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ The tax treatment is based on the rules applicable to stock distributions under IRC Section 304(a) and the associated basis rules under IRC Section 307(a).

Multiple horizontal lines for providing details for question 17.

18 Can any resulting loss be recognized? ▶ No loss can be recognized in conjunction with this organizational action.

Multiple horizontal lines for providing details for question 18.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The basis adjustment relating to this stock split is effective in the year in which the taxpayer received the stock distribution in conjunction with this organizational action (2017 for calendar year taxpayers).

Multiple horizontal lines for providing details for question 19.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶  Date ▶ 1-4-2018

Print your name ▶ Christian Rothe Title ▶ CFO & Treasurer

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶	Firm's EIN ▶			
Firm's address ▶	Phone no.			