

GRACO INC  
Form 4  
February 20, 2007

**FORM 4**

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

OMB APPROVAL

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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)  
02/16/2007

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				V	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	25,300
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	25,300
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

(right to buy)

## 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 02/20/2007

\_\_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 Amended and Restated Graco Inc. Stock Incentive Plan (2006) in transaction exempt under Rule 16b-3. The stock option becomes exercisable in four equal annual installments, commencing one year after the date of the grant.
- (2) 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.
- (3) 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 one installment, three years after the date of the grant.
- (4) Employee stock option granted pursuant to the Graco Inc. Stock Incentive Plan in a transaction exempt under Rule 16b-3. The stock option becomes exercisable in one installment, three years after the date of the grant.
- (5) Employee stock option granted pursuant to the Graco Inc. Stock Incentive Plan in transaction exempt under Rule 16b-3. The stock option becomes exercisable in four equal annual installments, commencing one year after the date of the grant.

### Remarks:

When a stock split occurred, the share tracking software used by the Company applied the stock split protocol to the entire share

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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