

MCHALE PATRICK J
 Form 4
 February 13, 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 *
MCHALE PATRICK J

(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)
 02/13/2007

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	02/13/2007		S	700	D \$ 40.53	16,671	D
Common Stock	02/13/2007		S	200	D \$ 40.54	16,471	D
Common Stock	02/13/2007		S	1,700	D \$ 40.55	14,771	D
Common Stock	02/13/2007		S	400	D \$ 40.56	14,371	D
Common Stock						1,540.267	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 of Underlying Securities (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)	\$ 9.09					<u>(1)</u>	02/23/2010	Common Stock	6,327
Non-Qualified Stock Option (right to buy)	\$ 11.71					<u>(1)</u>	02/23/2011	Common Stock	8,436
Non-Qualified Stock Option (right to buy)	\$ 17.34					<u>(2)</u>	02/21/2013	Common Stock	22,500
Non-Qualified Stock Option (right to buy)	\$ 18.39					<u>(2)</u>	02/22/2012	Common Stock	12,655
Non-Qualified Stock Option (right to buy)	\$ 27.91					<u>(2)</u>	02/20/2014	Common Stock	27,000
Non-Qualified Stock Option (right to buy)	\$ 38.13 <u>(2)</u>					<u>(2)</u>	02/18/2015	Common Stock	22,500
Non-Qualified Stock Option (right to buy)	\$ 40.68 <u>(2)</u>					<u>(2)</u>	02/17/2016	Common Stock	22,500

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MCHALE PATRICK J 88 11TH AVENUE NE MINNEAPOLIS, MN 55413			VICE PRESIDENT	

Signatures

By: Kristen C. Nelson, attorney-in-fact For: Patrick J.
McHale

02/13/2007

__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 one year after the date of the grant.
- (2) 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.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.