

GRACO INC
Form 4
August 14, 2007

FORM 4

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

OMB APPROVAL

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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 *
RESCORLA CHARLES L

(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)
08/10/2007

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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount or Price		
Common Stock	08/10/2007		M		12,656 A \$ 9.09	65,751	D
Common Stock	08/10/2007		S		200 D \$ 43.21	65,551	D
Common Stock	08/10/2007		S		800 D \$ 43.2	64,751	D
Common Stock	08/10/2007		S		200 D \$ 43.19	64,551	D
Common Stock	08/10/2007		S		1,600 D \$ 43.18	62,951	D

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Common Stock	08/10/2007	S	6,800	D	\$ 43.17	56,151	D	
Common Stock	08/10/2007	S	1,556	D	\$ 43.16	54,595	D	
Common Stock	08/10/2007	S	300	D	\$ 43.15	54,295	D	
Common Stock	08/10/2007	S	900	D	\$ 43.14	53,395	D	
Common Stock	08/10/2007	S	200	D	\$ 43.13	53,195	D	
Common Stock	08/10/2007	S	100	D	\$ 43.11	53,095	D	
Common Stock						1,768.6833	I	by ESOP

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

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(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 Security (Instr. 3 and 4)	8. Amount or Number of Shares
Non-Qualified Stock Option (right to buy)	\$ 9.09	08/10/2007		M	12,656	(1) 02/23/2010	Common Stock	12,656

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
RESCORLA CHARLES L 88 11TH AVENUE NE			VICE PRESIDENT	

MINNEAPOLIS, MN 55413

Signatures

By: Kristen D. Nelson, by power of attorney For: Charles L.
Rescorla

08/14/2007

__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.

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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