

Ahlers David M
 Form 4
 February 22, 2012

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 *
 Ahlers David M

2. Issuer Name and Ticker or Trading Symbol
 GRACO INC [GGG]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
 88 11TH AVENUE NE
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 02/21/2012

____ Director
 Officer (give title below)
 ____ 10% Owner
 ____ Other (specify below)
 Vice President Human Resources

MINNEAPOLIS, MN 55413

4. If Amendment, Date Original Filed (Month/Day/Year)

6. Individual or Joint/Group Filing (Check Applicable Line)
 Form filed by One Reporting Person
 ____ Form filed by More than One Reporting Person

(City) (State) (Zip)

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 | Price | |
| Common Stock | 02/21/2012 | | M | | 30,000 | A \$ 38.91 | 33,304 D |
| Common Stock | 02/21/2012 | | M | | 14,916 | A \$ 20.8 | 48,220 D |
| Common Stock | 02/21/2012 | | M | | 7,500 | A \$ 27.17 | 55,720 D |
| Common Stock | 02/21/2012 ⁽¹⁾ | | S | | 40,245 | D \$ 50.0025 | 15,475 D |
| | | | | | | ⁽²⁾ | |

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) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|
| Non-Qualified Stock Option (right to buy) | \$ 20.8 | 02/21/2012 | | M | 14,916 | (3) 02/13/2019 | Common Stock | 14,916 |
| Non-Qualified Stock Option (right to buy) | \$ 27.17 | 02/21/2012 | | M | 7,500 | (3) 02/12/2020 | Common Stock | 7,500 |
| Non-Qualified Stock Option (right to buy) | \$ 38.91 | 02/21/2012 | | M | 30,000 | (3) 09/22/2018 | Common Stock | 30,000 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|--------------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Ahlers David M 88 11TH AVENUE NE MINNEAPOLIS, MN 55413 | | | Vice President Human Resources | |

Signatures

By: Carrie Daniel Russell, Attorney-in-Fact For: David M. Ahlers 02/22/2012

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) Sale pursuant to a 10b5-1 Trading Plan dated September 7, 2011, as amended February 15, 2012.
- (2)

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The price reported in Column 4 is a weighted average price. The shares were sold at prices ranging from \$50.00 to \$50.04, inclusive. The reporting person undertakes to provide Graco Inc., any security holder of Graco Inc., or the staff of the Securities and Exchange Commission, upon request, with full information regarding the number of shares sold at each separate price set forth within the footnote.

- (3) Employee stock option granted pursuant to the Amended and Restated Stock Incentive Plan (2006) in transaction exempt under Section 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.