

JOHNSON DALE D  
Form 4  
February 14, 2011

**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 \*  
JOHNSON DALE D

(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)  
02/10/2011

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  | (A) or (D)   | Price   |
| Common Stock                    | 02/10/2011                           |  | M                              |   | 25,282  | A  | \$ 11.71  |
|                                 |                                      |  |                                |   |   |  | 50,459  |
| Common Stock                    | 02/10/2011                           |  | S                              |   | 25,282  | D  | \$ 41.7713  |
|                                 |                                      |  |                                |   |   |  | 25,177  |
| Common Stock                    | 02/11/2011                           |  | M                              |   | 19,718  | A  | \$ 11.71  |
|                                 |                                      |  |                                |   |   |  | 44,895  |
| Common Stock                    | 02/11/2011                           |  | S                              |   | 19,718  | D  | \$ 42.0487  |
|                                 |                                      |  |                                |   |   |  | 25,177  |
|                                 |                                      |  |                                |   |   |  | 2,658.6854  |
|                                 |                                      |  |                                |   |   | I  | by ESOP   |

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Common Stock

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 Security (Instr. 3 and 4) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----------------|---|----------------------------|
|  |  |                                      |  |                                |   | Date Exercisable   | Expiration Date |   |                            |
| Non-Qualified Stock Option (right to buy)  | \$ 11.71   | 02/10/2011                           |  | M                              | 25,282  | (3)  | 02/23/2011      | Common Stock  | 25,282                     |
| Non-Qualified Stock Option (right to buy)  | \$ 11.71   | 02/11/2011                           |  | M                              | 19,718  | (3)  | 02/23/2011      | Common Stock  | 19,718                     |

### Reporting Owners

| Reporting Owner Name / Address                               | Relationships                    |
|--|----------------------------------|
|  | Director 10% Owner Officer Other |
| JOHNSON DALE D<br>88 11TH AVENUE NE<br>MINNEAPOLIS, MN 55413 | VICE PRESIDENT                   |

### Signatures

By: Carrie D. Russell, Attorney-in-Fact For: Dale D. Johnson 02/14/2011

\*\*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)

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The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from \$41.68 to \$41.84, 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, full information regarding the number of shares sold at each separate price within the range set forth in the footnote.

- (2) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from \$41.96 to \$42.20, 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, full information regarding the number of shares sold at each separate price within the range set forth in the footnote.
- (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 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.