JOHNSON DALE D

Form 4

February 14, 2011

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

SECURITIES

OMB 3235-0287

OMB APPROVAL

Number:

Expires:

January 31, 2005

0.5

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Section 16. Form 4 or Form 5 obligations may continue. See Instruction

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if no longer

subject to

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

1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * JOHNSON DALE D			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)	3. Date of Earliest Transaction	(Chech an applicable)			
			(Month/Day/Year)	Director 10% Owner			
88 11TH AVENUE NE			02/10/2011	X Officer (give title Other (specify below) VICE PRESIDENT			
(Street)			4. If Amendment, Date Original	6. Individual or Joint/Group Filing(Check			
			Filed(Month/Day/Year)	Applicable Line)			
MINNEAPOLIS, MN 55413				_X_ Form filed by One Reporting Person Form filed by More than One Reporting Person			

(City)	(State)	(Zip) Tab	le I - Non-	Derivative	Secui	rities Acquir	red, Disposed of,	or Beneficiall	y Owned
1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)		3. Transactic Code (Instr. 8)	oror Dispose (Instr. 3, 4	ed of (` ′	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)
Common Stock	02/10/2011		M	25,282	A	\$ 11.71	50,459	D	
Common Stock	02/10/2011		S	25,282	D	\$ 41.7713 (1)	25,177	D	
Common Stock	02/11/2011		M	19,718	A	\$ 11.71	44,895	D	
Common Stock	02/11/2011		S	19,718	D	\$ 42.0487 (2)	25,177	D	

by ESOP

2,658.6854

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 orDerivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amour Underlying Securit (Instr. 3 and 4)	
				Code V	(A) (D)	Date Exercisable	Expiration Date	Title	Amo or Num of Sh
Non-Qualified Stock Option (right to buy)	\$ 11.71	02/10/2011		M	25,282	(3)	02/23/2011	Common Stock	25,2
Non-Qualified Stock Option (right to buy)	\$ 11.71	02/11/2011		M	19,718	(3)	02/23/2011	Common Stock	19,7

Reporting Owners

Reporting Owner Name / Address Relationships

Director 10% Owner Officer Other

JOHNSON DALE D 88 11TH AVENUE NE 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)

Reporting Owners 2

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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.

- 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.