

MORFITT MARTHA A M  
 Form 4  
 July 01, 2010

**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 \*  
 MORFITT MARTHA A 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)  
 06/30/2010

Director  10% Owner  
 Officer (give title below)  Other (specify below)

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 Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------|
|                                 |                                      |                                                    |                                | (A) or (D)                                                        | Price                                                                                         |                                                          |                                   |
| Common Stock                    | 06/30/2010                           |                                                    | M                              | 5,625 A                                                           | \$ 12.18                                                                                      | 40,825                                                   | D                                 |
| Common Stock                    | 06/30/2010                           |                                                    | M                              | 5,625 A                                                           | \$ 19.13                                                                                      | 46,450                                                   | D                                 |
| Common Stock                    | 06/30/2010                           |                                                    | M                              | 3,750 A                                                           | \$ 20.27                                                                                      | 50,200                                                   | D                                 |
| Common Stock                    | 06/30/2010                           |                                                    | M                              | 2,150 A                                                           | \$ 20.19                                                                                      | 52,350                                                   | D                                 |

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

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SEC 1474 (9-02)

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**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 |
|--------------------------------------------|--------------------------------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------|----------------------------|
| Non-Qualified Stock Option (right to buy)  | \$ 12.18                                               | 06/30/2010                           |                                                    | M                              | 5,625                                                                                   | <u>(1)</u> 05/01/2011                                    | Common Stock                                                  | 5,625                      |
| Non-Qualified Stock Option (right to buy)  | \$ 19.13                                               | 06/30/2010                           |                                                    | M                              | 5,625                                                                                   | <u>(1)</u> 05/07/2012                                    | Common Stock                                                  | 5,625                      |
| Non-Qualified Stock Option (right to buy)  | \$ 20.19                                               | 06/30/2010                           |                                                    | M                              | 2,150                                                                                   | <u>(2)</u> 04/24/2019                                    | Common Stock                                                  | 2,150                      |
| Non-Qualified Stock Option (right to buy)  | \$ 20.27                                               | 06/30/2010                           |                                                    | M                              | 3,750                                                                                   | <u>(1)</u> 05/06/2013                                    | Common Stock                                                  | 3,750                      |

## Reporting Owners

| Reporting Owner Name / Address                                   | Relationships |           |         |       |
|------------------------------------------------------------------|---------------|-----------|---------|-------|
|                                                                  | Director      | 10% Owner | Officer | Other |
| MORFITT MARTHA A M<br>88 11TH AVENUE NE<br>MINNEAPOLIS, MN 55413 |               | X         |         |       |

## Signatures

By: Kristen C. Nelson, Attorney-in-Fact For: Martha A. M. Morfitt

06/30/2010

\_\_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) Nonemployee director 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.

(2) Nonemployee director stock option granted pursuant to the Amended and Restated Graco Inc. Stock Incentive Plan (2006) 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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