UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended April 30, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File Number 1-14959

BRADY CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin	**39-0178960**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6555 West Good Hope Road, Milwaukee, Wisconsin	**53223**
(Address of principal executive offices)	**(Zip Code)**

(414) 358-6600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of June 3, 2014, there were 47,647,885 outstanding shares of Class A Nonvoting Common Stock and 3,538,628 shares of Class B Voting Common Stock. The Class B Voting Common Stock, all of which is held by affiliates of the Registrant, is the only voting stock.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

	April 30, 2014 (Unaudited)	July 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 78,715	$ 91,058
Accounts receivable—net	178,197	169,261
Inventories:		
Finished products	71,397	64,544
Work-in-process	17,099	14,776
Raw materials and supplies	20,873	15,387
Total inventories	109,369	94,707
Assets held for sale	109,540	119,864
Prepaid expenses and other current assets	46,661	37,600
Total current assets	522,482	512,490
Other assets:		
Goodwill	620,998	617,236
Other intangible assets	142,846	156,851
Deferred income taxes	12,361	8,623
Other	22,760	21,325
Property, plant and equipment:		
Cost:		
Land	7,917	7,861
Buildings and improvements	97,600	91,471
Machinery and equipment	284,905	266,787
Construction in progress	11,595	11,842
	402,017	377,961
Less accumulated depreciation	271,790	255,803
Property, plant and equipment—net	130,227	122,158
Total	$ 1,451,674	$ 1,438,683
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current liabilities:		
Notes payable	$ 75,552	$ 50,613
Accounts payable	87,528	82,519
Wages and amounts withheld from employees	44,742	42,413
Liabilities held for sale	24,536	34,583
Taxes, other than income taxes	8,409	8,243
Accrued income taxes	10,808	7,056
Other current liabilities	31,628	36,806
Current maturities on long-term debt	61,264	61,264
Total current liabilities	344,467	323,497
Long-term obligations, less current maturities	162,468	201,150
Other liabilities	80,742	83,239
Total liabilities	587,677	607,886
Stockholders' investment:		
Class A nonvoting common stock—Issued 51,261,487 and 51,261,487 shares, respectively and outstanding 47,935,602 and 48,408,544 shares, respectively	513	513
Class B voting common stock—Issued and outstanding, 3,538,628 shares	35	35
Additional paid-in capital	314,625	306,191
Earnings retained in the business	572,474	538,512
Treasury stock—3,245,885 and 2,626,276 shares, respectively of Class A nonvoting common stock, at cost	(87,682)	(69,797)
Accumulated other comprehensive income	63,687	56,063
Other	345	(720)
Total stockholders' investment	863,997	830,797
Total	$ 1,451,674	$ 1,438,683

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Dollars in Thousands, Except Per Share Amounts)

	Three months ended April 30, (Unaudited)		Nine months ended April 30, (Unaudited)	
	2014	2013	2014	2013
Net sales	$ 309,577	$ 302,483	$ 908,301	$ 847,200
Cost of products sold	154,457	143,082	452,797	395,723
Gross margin	155,120	159,401	455,504	451,477
Operating expenses:				
Research and development	8,648	8,062	25,675	24,162
Selling, general and administrative	116,666	111,864	340,825	320,874
Restructuring charges	3,039	8,540	14,202	10,473
Total operating expenses	128,353	128,466	380,702	355,509
Operating income	26,767	30,935	74,802	95,968
Other income and (expense):				
Investment and other income	872	1,133	1,887	2,427
Interest expense	(3,381)	(4,186)	(10,777)	(12,755)
Earnings from continuing operations before income taxes	24,258	27,882	65,912	85,640
Income tax expense	4,074	6,202	17,077	48,340
Earnings from continuing operations	$ 20,184	$ 21,680	$ 48,835	$ 37,300
Earnings (loss) from discontinued operations, net of income taxes	3,904	(17,447)	15,606	(14,564)
Net earnings	$ 24,088	$ 4,233	$ 64,441	$ 22,736
Earnings from continuing operations per Class A Nonvoting Common Share:				
Basic	$ 0.39	$ 0.42	$ 0.94	$ 0.72
Diluted	$ 0.39	$ 0.42	$ 0.93	$ 0.72
Earnings from continuing operations per Class B Voting Common Share:				
Basic	$ 0.39	$ 0.42	$ 0.92	$ 0.71
Diluted	$ 0.39	$ 0.42	$ 0.92	$ 0.70
Earnings (loss) from discontinued operations per Class A Nonvoting Common Share:				
Basic	$ 0.07	$ (0.34)	$ 0.30	$ (0.28)
Diluted	$ 0.07	$ (0.34)	$ 0.30	$ (0.28)
Earnings (loss) from discontinued operations per Class B Voting Common Share:				
Basic	$ 0.07	$ (0.34)	$ 0.30	$ (0.29)
Diluted	$ 0.07	$ (0.34)	$ 0.29	$ (0.28)
Net earnings per Class A Nonvoting Common Share:				
Basic	$ 0.46	$ 0.08	$ 1.24	$ 0.44
Diluted	$ 0.46	$ 0.08	$ 1.23	$ 0.44
Dividends	$ 0.195	$ 0.19	$ 0.585	$ 0.57
Net earnings per Class B Voting Common Share:				
Basic	$ 0.46	$ 0.08	$ 1.22	$ 0.42
Diluted	$ 0.46	$ 0.08	$ 1.21	$ 0.42
Dividends	$ 0.195	$ 0.19	$ 0.568	$ 0.553
Weighted average common shares outstanding (in thousands):				
Basic	51,933	51,415	52,071	51,210
Diluted	52,000	52,041	52,304	51,685

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in Thousands)

	Three months ended April 30, (Unaudited)		Nine months ended April 30, (Unaudited)	
	2014	2013	2014	2013
Net earnings	$ 24,088	$ 4,233	$ 64,441	$ 22,736
Other comprehensive income (loss):				
Foreign currency translation adjustments	12,872	(8,752)	12,602	19,318
Net investment hedge translation adjustments	(2,864)	4,461	(7,229)	(5,270)
Long-term intercompany loan translation adjustments	(78)	(79)	545	1,510
Cash flow hedges:				
Net (loss) gain recognized in other comprehensive income	(220)	330	11	(668)
Reclassification adjustment for (gains) losses included in net earnings	(43)	9	(135)	(548)
	(263)	339	(124)	(1,216)
Pension and other post-retirement benefits:				
Loss recognized in other comprehensive income	(41)	—	(41)	—
Actuarial gain amortization	(66)	(12)	(199)	(35)
Prior service credit amortization	(51)	(50)	(152)	(152)
	(158)	(62)	(392)	(187)
Other comprehensive income (loss), before tax	9,509	(4,093)	5,402	14,155
Income tax (expense) benefit related to items of other comprehensive income	(249)	(943)	2,222	2,873
Other comprehensive income (loss), net of tax	9,260	(5,036)	7,624	17,028
Comprehensive income (loss)	$ 33,348	$ (803)	$ 72,065	$ 39,764

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Nine months ended April 30, (Unaudited)	
	2014	**2013**
Operating activities:		
Net earnings	$ 64,441	$ 22,736
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,782	36,037
Non-cash portion of stock-based compensation expense	5,033	6,964
Non-cash portion of restructuring charges	267	3,701
Loss on write-down of assets held for sale	—	15,658
Loss on sales of businesses	—	3,138
Deferred income taxes	(8,310)	33,780
Changes in operating assets and liabilities (net of effects of business acquisitions/divestitures):		
Accounts receivable	2,949	(6,410)
Inventories	(9,435)	(91)
Prepaid expenses and other assets	(2,772)	541
Accounts payable and accrued liabilities	(13,027)	(22,226)
Income taxes	2,912	(4,198)
Net cash provided by operating activities	75,840	89,630
Investing activities:		
Purchases of property, plant and equipment	(29,808)	(26,082)
Acquisition of business, net of cash acquired	—	(301,157)
Sales of businesses, net of cash retained	—	10,178
Other	(647)	(1,245)
Net cash used in investing activities	(30,455)	(318,306)
Financing activities:		
Payment of dividends	(30,479)	(29,344)
Proceeds from issuance of common stock	10,894	10,246
Purchase of treasury stock	(23,335)	(5,121)
Proceeds from borrowing on notes payable	63,000	220,000
Repayment of borrowing on notes payable	(39,000)	(173,000)
Proceeds from borrowing on line of credit	3,187	11,491
Repayment of borrowing on line of credit	(2,401)	—
Principal payments on debt	(42,514)	(42,514)
Income tax on the exercise of stock options and deferred compensation distributions, and other	(978)	1,794
Net cash used in financing activities	(61,626)	(6,448)
Effect of exchange rate changes on cash	3,898	6,258
Net decrease in cash and cash equivalents	(12,343)	(228,866)
Cash and cash equivalents, beginning of period	91,058	305,900
Cash and cash equivalents, end of period	$ 78,715	$ 77,034
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of capitalized interest	$ 11,417	$ 13,194
Income taxes, net of refunds	18,842	26,786
Acquisitions:		
Fair value of assets acquired, net of cash	—	$ 169,830
Liabilities assumed	—	(57,860)
Goodwill	—	189,187
Net cash paid for acquisitions	—	$ 301,157

See Notes to Condensed Consolidated Financial Statements

BRADY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended April 30, 2014
(Unaudited)
(In thousands, except share and per share amounts)

NOTE A — Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Brady Corporation and subsidiaries (the "Company," "Brady," "we," or "our") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, the foregoing statements contain all adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial position of the Company as of April 30, 2014 and July 31, 2013, its results of operations and comprehensive income for the three and nine months ended April 30, 2014 and 2013, and cash flows for the nine months ended April 30, 2014 and 2013. The consolidated balance sheet as of July 31, 2013 has been derived from the audited consolidated financial statements of that date. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts therein. Due to the inherent uncertainty involved in making estimates, actual results in future periods may differ from the estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been or omitted pursuant to rules and regulations of the Securities and Exchange Commission. Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statement presentation. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s latest annual report on Form 10-K for the year ended July 31, 2013.

The Company announced its plan to divest its Asia Die-Cut business in the third quarter of fiscal 2013, and incorporated its Balkhausen Die-Cut business into that plan during the fourth quarter of fiscal 2013 (collectively referred to as "Die-Cut"). As a result, the assets and liabilities have been reclassified in accordance with the authoritative literature on assets held for sale in the condensed consolidated balance sheets as of April 30, 2014 and July 31, 2013. The results of operations of the Company's Die-Cut business have been reported as discontinued operations within the condensed consolidated statements of earnings for all periods presented. In addition, the Brady Medical and Varitronics businesses that were divested in fiscal 2013 are included within discontinued operations. In accordance with the authoritative literature, the Company has elected to not separately disclose the cash flows or other comprehensive income related to the Die-Cut business' discontinued operations. Refer to Note K, "Discontinued Operations" for further discussion regarding the business.

NOTE B — Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended April 30, 2014, were as follows:

	IDS	WPS	Total
Balance as of July 31, 2013	$ 517,029	$ 100,207	$ 617,236
Purchase accounting adjustments	(2,168)	—	$ (2,168)
Translation adjustments	2,202	3,728	$ 5,930
Balance as of April 30, 2014	$ 517,063	$ 103,935	$ 620,998

Goodwill increased by $3,762 during the nine months ended April 30, 2014. The increase was due to the positive effects of foreign translation of $5,930, partially offset by a decrease due to purchase accounting adjustments of $2,168 for the deferred tax impact related to the release of escrow from the fiscal 2013 acquisition of Precision Dynamics Corporation ("PDC").

Goodwill at April 30, 2014 included $18,225 and $172,280 of accumulated impairment losses within the IDS and WPS segments, respectively, for a total of $190,505. There were no impairment charges recorded during the three and nine months ended April 30, 2014.

Other intangible assets include patents, trademarks, customer relationships, non-compete agreements and other intangible assets with finite lives being amortized in accordance with the accounting guidance for other intangible assets. The Company also has unamortized indefinite-lived trademarks that are classified as other intangible assets. The net book value of these assets was as follows:

	April 30, 2014				July 31, 2013			
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Amortized other intangible assets:								
Patents	5	$ 11,428	$ (10,025)	$ 1,403	5	$ 11,053	$ (9,597)	$ 1,456
Trademarks and other	5	15,833	(10,489)	5,344	5	15,289	(8,398)	6,891
Customer relationships	8	259,383	(155,093)	104,290	8	261,076	(144,620)	116,456
Non-compete agreements and other	4	13,490	(12,863)	627	4	14,942	(14,215)	727
Unamortized other intangible assets:								
Trademarks	N/A	31,182	—	31,182	N/A	31,321	—	31,321
Total		$ 331,316	$ (188,470)	$ 142,846		$ 333,681	$ (176,830)	$ 156,851

The gross carrying amount of goodwill and other intangible assets in the condensed consolidated balance sheets at April 30, 2014 differs from the value assigned to them in the original allocation of purchase price due to the effect of currency fluctuations between the date of acquisition and April 30, 2014.

Amortization expense on intangible assets was $4,713 and $5,007 for the three months ended April 30, 2014 and 2013, respectively, and $14,837 and $11,020 for the nine months ended April 30, 2014 and 2013, respectively. The amortization over each of the next five fiscal years is projected to be $19,579, $18,746, $16,531, $13,318 and $11,981 for the fiscal years ending July 31, 2014, 2015, 2016, 2017 and 2018, respectively.

NOTE C — Comprehensive Income

Comprehensive income consists of foreign currency translation adjustments, unrealized gains and losses from cash flow hedges and net investment hedges, and the unamortized gain on post-retirement plans, net of their related tax effects.

The following table illustrates the changes in the balances of each component of accumulated other comprehensive income for the periods presented. The unrealized gain on cash flow hedges and the unamortized gain on postretirement plans are presented net of tax:

	Unrealized gain on cash flow hedges	Unamortized gain on postretirement plans	Foreign currency translation adjustments	Accumulated other comprehensive income
Beginning balance, July 31, 2013	$ 99	$ 1,853	$ 54,111	$ 56,063
Other comprehensive (loss) income before reclassification	(18)	(41)	8,116	8,057
Amounts reclassified from accumulated other comprehensive income	(82)	(351)	—	(433)
Ending balance, April 30, 2014	$ (1)	$ 1,461	$ 62,227	$ 63,687

The increase in accumulated other comprehensive income ("OCI") over the nine months ended April 30, 2014 was primarily due to the depreciation of the U.S. dollar against other currencies. The foreign currency translation adjustments column in the table above includes the impact of foreign currency translation on intercompany notes and net investment hedges, net of tax. Of the total $433 in amounts reclassified from accumulated other comprehensive income, the $82 gain on cash flow hedges was reclassified into cost of products sold and the $351 gain on postretirement plans was reclassified into SG&A on the condensed consolidated statement of earnings for the nine months ended April 30, 2014.

The following table illustrates the income tax (expense) benefit on the components of other comprehensive income for the three and nine months ended April 30, 2014 and 2013:

	Three months ended April 30,		Nine months ended April 30,	
	2014	2013	2014	2013
Income tax (expense) benefit related to items of other comprehensive income:				
Net investment hedge translation adjustments	$ 787	$ (1,360)	$ 1,525	$ 2,383
Long-term intercompany loan settlements	(1,176)	430	667	(162)
Cash flow hedges	84	(131)	24	467
Other income tax adjustments	56	118	6	185
Income tax (expense) benefit related to items of other comprehensive income	$ (249)	$ (943)	$ 2,222	$ 2,873

NOTE D — Net Earnings per Common Share

Reconciliations of the numerator and denominator of the basic and diluted per share computations for the Company's Class A and Class B common stock are summarized as follows:

	Three months ended April 30,		Nine months ended April 30,	
	2014	2013	2014	2013
Numerator: (in thousands)				
Earnings from continuing operations	$ 20,184	$ 21,680	$ 48,835	$ 37,300
Less:				
Restricted stock dividends	(16)	(60)	(76)	(179)
Numerator for basic and diluted earnings from continuing operations per Class A Nonvoting Common Share	$ 20,168	$ 21,620	$ 48,759	$ 37,121
Less:				
Preferential dividends	—	—	(813)	(797)
Preferential dividends on dilutive stock options	—	—	(6)	(5)
Numerator for basic and diluted earnings from continuing operations per Class B Voting Common Share	$ 20,168	$ 21,620	$ 47,940	$ 36,319
Denominator: (in thousands)				
Denominator for basic earnings from continuing operations per share for both Class A and Class B	51,933	51,415	52,071	51,210
Plus: Effect of dilutive stock options	67	626	233	475
Denominator for diluted earnings from continuing operations per share for both Class A and Class B	52,000	52,041	52,304	51,685
Earnings from continuing operations per Class A Nonvoting Common Share:				
Basic	$ 0.39	$ 0.42	$ 0.94	$ 0.72
Diluted	$ 0.39	$ 0.42	$ 0.93	$ 0.72
Earnings from continuing operations per Class B Voting Common Share:				
Basic	$ 0.39	$ 0.42	$ 0.92	$ 0.71
Diluted	$ 0.39	$ 0.42	$ 0.92	$ 0.70
Earnings (loss) from discontinued operations per Class A Nonvoting Common Share:				
Basic	$ 0.07	$ (0.34)	$ 0.30	$ (0.28)
Diluted	$ 0.07	$ (0.34)	$ 0.30	$ (0.28)
Earnings (loss) from discontinued operations per Class B Voting Common Share:				
Basic	$ 0.07	$ (0.34)	$ 0.30	$ (0.29)
Diluted	$ 0.07	$ (0.34)	$ 0.29	$ (0.28)
Net earnings per Class A Nonvoting Common Share:				
Basic	$ 0.46	$ 0.08	$ 1.24	$ 0.44
Diluted	$ 0.46	$ 0.08	$ 1.23	$ 0.44
Net earnings per Class B Voting Common Share:				
Basic	$ 0.46	$ 0.08	$ 1.22	$ 0.42
Diluted	$ 0.46	$ 0.08	$ 1.21	$ 0.42

Options to purchase approximately 4,213,000 and 2,591,000 shares of Class A Nonvoting Common Stock for the three months ended April 30, 2014 and 2013, respectively, were not included in the computation of diluted net earnings or loss per share because the option exercise price was greater than the average market price of the common shares and, therefore, the effect would have been anti-dilutive. Options to purchase approximately 3,085,000 and 3,560,000 shares of Class A Nonvoting Common Stock for the nine months ended April 30, 2014 and 2013, respectively, were not included in the computation of diluted net earnings per share because the option exercise price was greater than the average market price of the common shares and, therefore, the effect would have been anti-dilutive.

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NOTE E — Segment Information

Effective May 1, 2013, the Company is organized and managed on a global basis within two business platforms: Identification Solutions and Workplace Safety, which are the reportable segments.

The Company evaluates short-term segment performance based on segment profit or loss and customer sales. Segment profit or loss does not include certain administrative costs, such as the cost of finance, information technology, human resources, legal, and executive leadership, which are managed as global functions. Restructuring charges, impairment charges, equity compensation costs, interest expense, investment and other income (expense) and income taxes are also excluded when evaluating segment performance. Intersegment sales and transfers are recorded at cost plus a markup that reasonably approximates fair value.

Each business platform has a President (or acting President) that reports directly to the Company's chief operating decision maker, its Interim Chief Executive Officer and Chief Financial Officer. Each platform has its own distinct operations, maintains its own financial reports and is evaluated based on global segment profit. The Company has determined that these business platforms comprise its operating and reportable segments based on the information used by the Interim Chief Executive Officer and Chief Financial Officer to allocate resources and assess performance.

The segment results have been adjusted to reflect continuing operations in all periods presented. The following is a summary of segment information for the three and nine months ended April 30, 2014 and 2013:

	Three months ended April 30,		Nine months ended April 30,	
	2014	2013	2014	2013
Sales to External Customers				
ID Solutions	$ 206,448	$ 197,417	$ 610,726	$ 528,044
Workplace Safety	103,129	105,066	297,575	319,156
Total Company	$ 309,577	$ 302,483	$ 908,301	$ 847,200
Segment Profit				
ID Solutions	$ 44,302	$ 46,787	$ 132,795	$ 126,011
Workplace Safety	14,771	23,453	47,813	74,881
Total Company	$ 59,073	$ 70,240	$ 180,608	$ 200,892

The following is a reconciliation of segment profit to earnings from continuing operations before income taxes for the three and nine months ended April 30, 2014 and 2013:

	Three months ended April 30,		Nine months ended April 30,	
	2014	2013	2014	2013
Total profit from reportable segments	$ 59,073	$ 70,240	$ 180,608	$ 200,892
Unallocated amounts:				
Administrative costs	(29,267)	(30,765)	(91,604)	(94,451)
Restructuring charges	(3,039)	(8,540)	(14,202)	(10,473)
Investment and other income	872	1,133	1,887	2,427
Interest expense	(3,381)	(4,186)	(10,777)	(12,755)
Earnings from continuing operations before income taxes	$ 24,258	$ 27,882	$ 65,912	$ 85,640

NOTE F – Stock-Based Compensation

The Company has an incentive stock plan under which the Board of Directors may grant nonqualified stock options to purchase shares of Class A Nonvoting Common Stock, restricted stock unit awards ("RSUs"), or restricted or unrestricted shares of Class A Nonvoting Common Stock to employees and non-employee directors.

As of April 30, 2014, the Company has reserved 4,564,718 shares of Class A Nonvoting Common Stock for outstanding stock options, RSUs, and restricted shares. A total of 3,958,986 shares of Class A Nonvoting Common Stock remain for future issuance of stock options, RSUs, and restricted or unrestricted shares under the active plan. The Company uses treasury stock or will issue new Class A Nonvoting Common Stock to deliver shares under the plan.

The Company recognizes the compensation cost of all share-based awards on a straight-line basis over the vesting period of the award. Total stock-based compensation expense recognized by the Company during the three months ended April 30, 2014 and 2013, was $656 ($407 net of taxes) and $155 ($94 net of taxes), respectively. Stock-based compensation expense recognized during the nine months ended April 30, 2014 and 2013, was $5,033 ($3,121 net of taxes) and $6,964 ($4,248 net of taxes), respectively.

As of April 30, 2014, total unrecognized compensation cost related to stock-based compensation awards was $7,037 pre-tax, net of estimated forfeitures, which the Company expects to recognize over a weighted-average period of 1.6 years.

The Company has estimated the fair value of its service-based option awards granted during the nine months ended April 30, 2014 and 2013, using the Black-Scholes option valuation model. The weighted-average assumptions used in the Black-Scholes valuation model are reflected in the following table:

	Nine months ended April 30,	
Black-Scholes Option Valuation Assumptions	**2014**	**2013**
Expected term (in years)	5.97	5.94
Expected volatility	37.32%	38.68%
Expected dividend yield	2.35%	2.21%
Risk-free interest rate	1.80%	0.90%
Weighted-average market value of underlying stock at grant date	$ 30.98	$ 30.54
Weighted-average exercise price	$ 30.98	$ 30.54
Weighted-average fair value of options granted during the period	$ 9.17	$ 9.05

The Company uses historical data regarding stock option exercise behaviors to estimate the expected term of options granted based on the period of time that options granted are expected to be outstanding. Expected volatilities are based on the historical volatility of the Company's stock. The expected dividend yield is based on the Company's historical dividend payments and historical yield. The risk-free interest rate is based on the U.S. Treasury yield curve in effect on the grant date for the length of time corresponding to the expected term of the option. The market value is calculated as the average of the high and the low stock price on the date of the grant.

A summary of stock option activity under the Company's share-based compensation plans for the nine months ended April 30, 2014 is presented below:

Options	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Outstanding at July 31, 2013	5,106,585	$ 30.68		
New grants	375,272	30.98		
Exercised	(407,507)	26.99		
Forfeited or expired	(698,805)	32.90		
Outstanding at April 30, 2014	4,375,545	$ 30.70	5.7	$ 1,253
Exercisable at April 30, 2014	3,131,418	$ 30.97	4.7	$ 1,253

There were 3,131,418 and 3,736,320 options exercisable with a weighted average exercise price of $30.97 and $30.70 at April 30, 2014 and 2013, respectively. No options were exercised during the three months ended April 30, 2014. The cash received from the exercise of options during the three months ended April 30, 2013, was $5,837. The cash received from the exercise of options during the nine months ended April 30, 2014 and 2013, was $10,894 and $10,246, respectively. The tax benefit on options exercised during the three months ended April 30, 2013 was $1,226. The tax benefit on options exercised during the nine months ended April 30, 2014 and 2013, was $788 and $2,870, respectively.

The total intrinsic value of options exercised during the nine months ended April 30, 2014 and 2013, based upon the average market price at the time of exercise during the period, was $2,020 and $7,360, respectively. The total fair value of stock options vested during the nine months ended April 30, 2014 and 2013, was $6,565 and $10,860, respectively.

The following table summarizes the RSU and restricted share activity under the Company's share-based compensation plans for the nine months ended April 30, 2014:

Service-Based RSUs and Restricted Shares	**Shares**	**Weighted Average Grant Date Fair Value**
Outstanding at July 31, 2013	5,000	$ 32.99
New grants	108,055	30.93
Vested	—	—
Forfeited	(3,882)	31.03
Outstanding at April 30, 2014	109,173	$ 31.02

Performance-Based RSUs and Restricted Shares	**Shares**	**Weighted Average Grant Date Fair Value**
Outstanding at July 31, 2013	231,667	$ 31.43
New grants	—	—
Vested	(35,001)	28.35
Forfeited	(116,666)	31.61
Outstanding at April 30, 2014	80,000	$ 32.50

NOTE G — Fair Value Measurements

In accordance with fair value accounting guidance, the Company's assets and liabilities measured at fair market value are classified in one of the following categories:

Level 1 — Assets or liabilities for which fair value is based on (unadjusted) quoted prices in active markets for identical instruments that are accessible as of the reporting date.

Level 2 — Assets or liabilities for which fair value is based on other significant pricing inputs that are either directly or indirectly observable.

Level 3 — Assets or liabilities for which fair value is based on significant unobservable pricing inputs to the extent little or no market data is available, which result in the use of management's own assumptions.

The following tables set forth by level within the fair value hierarchy, our financial assets and liabilities that were accounted for at fair value on a recurring basis at April 30, 2014 and July 31, 2013, according to the valuation techniques the Company used to determine their fair values.

	Inputs Considered As			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Fair Values**	**Balance Sheet Classifications**
April 30, 2014				
Trading securities	$ 15,811	$ —	$ 15,811	Other assets
Foreign exchange contracts	—	247	247	Prepaid expenses and other current assets
Total Assets	$ 15,811	$ 247	$ 16,058	
Foreign exchange contracts	$ —	$ 127	$ 127	Other current liabilities
Total Liabilities	$ —	$ 127	$ 127	
July 31, 2013				
Trading securities	$ 14,975	$ —	$ 14,975	Other assets
Foreign exchange contracts	—	294	294	Prepaid expenses and other current assets
Total Assets	$ 14,975	$ 294	$ 15,269	
Foreign exchange contracts	$ —	$ 890	$ 890	Other current liabilities
Total Liabilities	$ —	$ 890	$ 890	

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Trading securities: The Company's deferred compensation investments consist of investments in mutual funds. These investments were classified as Level 1 as the shares of these investments trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

Foreign exchange contracts: The Company's foreign exchange contracts were classified as Level 2 as the fair value was based on the present value of the future cash flows using external models that use observable inputs, such as interest rates, yield curves and foreign exchange rates. See Note I, "Derivatives and Hedging Activities," for additional information.

There have been no transfers of assets or liabilities between the fair value hierarchy levels outlined above during the three or nine months ended April 30, 2014 and 2013. In addition, the Company had no significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition during the three and nine months ended April 30, 2014, except for the fair value measurement performed on the Die-Cut disposal group. The assets and liabilities of the disposal group were recorded at approximate fair value less costs to sell and classified as "Assets held for sale" and "Liabilities held for sale" on the condensed consolidated balance sheets as of April 30, 2014 and July 31, 2013. Fair value was determined utilizing a combination of external market factors and internal projections. A loss on the write-down of the disposal group of $15,658 was recorded within discontinued operations in the third quarter of fiscal 2013. There were no additional fair value adjustments recorded during the three or nine months ended April 30, 2014.

During fiscal 2013, goodwill with a carrying amount of $183,146 in the WPS Americas reporting unit was written down to its estimated implied fair value of $10,866 and represented a Level 3 asset measured at fair value on a nonrecurring basis at July 31, 2013, which was subsequent to its original recognition. In order to arrive at the implied fair value of goodwill, the Company calculated the fair value of all of the assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. Intangible assets consisted of customer relationships and tradenames, which were valued using the income approach. As a result of the analysis, indefinite-lived tradenames with a carrying amount of $25,449 were written down to the estimated fair value of $14,881 and represented a Level 3 asset measured at fair value on a nonrecurring basis at July 31, 2013, which was subsequent to its original recognition.

During fiscal 2013, goodwill with a carrying amount of $18,225 in the IDS APAC reporting unit was written off in its entirety and represented a Level 3 asset measured at fair value on a nonrecurring basis at July 31, 2013, which was subsequent to its original recognition. In order to arrive at the implied fair value of goodwill, the Company completed a qualitative assessment because the amount by which the carrying value exceeded fair value was more than the balance of goodwill remaining.

The Company’s financial instruments, other than those presented in the disclosures above, include cash and cash equivalents, accounts receivable, notes payable, accounts payable, accrued liabilities and short-term and long-term debt. The fair values of cash and cash equivalents, accounts receivable, notes payable, accounts payable, and accrued liabilities approximated carrying values because of the short-term nature of these instruments.

The estimated fair value of the Company’s short-term and long-term debt obligations, excluding notes payable, based on the quoted market prices for similar issues and on the current rates offered for debt of similar maturities was $238,907 and $288,055 at April 30, 2014 and July 31, 2013, respectively, as compared to the carrying value of $223,732 and $262,414 at April 30, 2014 and July 31, 2013, respectively.

There was $63,000 and $39,000 outstanding on the Company's revolving loan agreement at April 30, 2014 and July 31, 2013, respectively, and $12,552 and $11,613 outstanding on the Company's USD-denominated line of credit facility with Bank of America in China at April 30, 2014 and July 31, 2013, respectively. These outstanding balances are classified as "Notes Payable" in the amount of $75,552 and $50,613 on the condensed consolidated balance sheets at April 30, 2014 and July 31, 2013, respectively. The fair value approximates carrying value due to the short-term nature of the instruments. See Note L, "Notes Payable," for additional information.

NOTE H — Restructuring

In fiscal 2014, the Company’s Board of Directors approved a restructuring plan to consolidate facilities in North America, Europe and Asia. The Company implemented this restructuring plan to enhance customer service, improve efficiency of operations and reduce operating expenses. The Company expects to incur pre-tax charges of approximately $22 million in fiscal 2014 due primarily to facility consolidation activities. Facility consolidation activities will extend into fiscal 2015.

As a result of these restructuring plans, the Company incurred restructuring charges of $3,039 and $14,202 in continuing operations during the three and nine months ended April 30, 2014, respectively. The three month restructuring charges of $3,039 consisted of $1,782 of employee separation costs, $170 of fixed asset write-offs, $771 of facility closure related costs, and $316 of contract termination costs. Of the $3,039 of restructuring charges recorded during the quarter, $1,161 was incurred within IDS and $1,878 within WPS.

The restructuring charges of $14,202 for the nine months ended April 30, 2014 consisted of $9,547 of employee separation costs, $267 of fixed asset write-offs, $3,454 of facility closure related costs, and $934 of contract termination costs. Of the $14,202 of restructuring charges, $7,595 was incurred within IDS and $6,607 within WPS.

In fiscal 2013, the Company implemented a restructuring plan to reorganize into global product-based business platforms and reduce its global workforce to address its cost structure. During the three and nine months ended April 30, 2013, the Company recorded restructuring charges in continuing operations of $8,540 and $10,473, respectively. The three month restructuring charges of $8,540 consisted of $2,863 employee separation costs, $3,423 of fixed asset write-offs and $2,254 of facility closure related costs. Of the $8,540 of restructuring charges recorded during the quarter, $2,995 was incurred within IDS and $5,545 within WPS.

The restructuring charges of $10,473 for the nine months ended April 30, 2013 consisted of $4,796 of employee separation costs, $3,423 of fixed asset write-offs and $2,254 of facility closure related costs. Of the $10,473 of restructuring charges, $4,720 was incurred within IDS and $5,753 within WPS.

The charges for employee separation costs in fiscal 2014 and 2013 consisted of severance pay, outplacement services, medical and other benefits. The costs related to these restructuring activities were recorded on the condensed consolidated statements of earnings as restructuring charges. The Company expects the majority of the remaining cash payments to be made during the next twelve months.

A reconciliation of the Company’s restructuring liability is as follows:

	Employee Related	Asset Write-offs	Other	Total
Beginning balance, July 31, 2013	$ 11,475	$ —	$ 2,731	$ 14,206
Restructuring charges in continuing operations	9,547	267	4,388	14,202
Restructuring charges in discontinued operations	250	—	—	250
Non-cash write-offs	—	(267)	—	(267)
Cash payments	(16,178)	—	(5,136)	(21,314)
Ending balance, April 30, 2014	$ 5,094	$ —	$ 1,983	$ 7,077

NOTE I — Derivatives and Hedging Activities

The Company utilizes forward foreign exchange currency contracts to reduce the exchange rate risk of specific foreign currency denominated transactions. These contracts typically require the exchange of a foreign currency for U.S. dollars at a fixed rate at a future date, with maturities of less than 18 months, which qualify as cash flow hedges or net investment hedges under the accounting guidance for derivative instruments and hedging activities. The primary objective of the Company’s foreign currency exchange risk management program is to minimize the impact of currency movements due to transactions in other than the respective subsidiaries’ functional currency and to minimize the impact of currency movements on the Company’s net investment denominated in a currency other than the U.S. Dollar. To achieve this objective, the Company hedges a portion of known exposures using forward foreign exchange currency contracts. As of April 30, 2014 and July 31, 2013, the notional amount of outstanding forward exchange contracts was $122,899 and $157,500, respectively.

The Company hedges a portion of known exposure using forward exchange contracts. Main exposures are related to transactions denominated in the British Pound, the Euro, Canadian Dollar, Australian Dollar, Malaysian Ringgit and Singapore Dollar. Generally, these risk management transactions will involve the use of foreign currency derivatives to minimize the impact of currency movements on non-functional currency transactions.

Hedge effectiveness is determined by how closely the changes in fair value of the hedging instrument offset the changes in the fair value or cash flows of the hedged item. Hedge accounting is permitted only if the hedging relationship is expected to be highly effective at the inception of the hedge and on an on-going basis. Gains or losses on the derivative related to hedge ineffectiveness are recognized in current earnings.

Cash Flow Hedges

The Company has designated a portion of its foreign exchange contracts as cash flow hedges and recorded these contracts at fair value on the condensed consolidated balance sheets. For these instruments, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. As of April 30, 2014, unrealized losses of $5 have been included in OCI. As of April 30, 2013, unrealized losses of $132 were included in OCI. Balances are reclassified from OCI to earnings during the next twelve months when the hedged transactions impact earnings. For the three months ended April 30, 2014 and 2013, the Company reclassified gains of $43 and losses of $9 from OCI into earnings, respectively. For the nine months ended April 30, 2014 and 2013, the Company reclassified gains of $135 and $548 from OCI into earnings. At April 30, 2014, the U.S. dollar equivalent of these outstanding forward foreign exchange contracts totaled $7,132, including contracts to sell Euros, Canadian Dollars, Australian Dollars, British Pounds and U.S. Dollars. There were no outstanding forward foreign exchange contracts designated as cash flow hedges as of July 31, 2013.

Net Investment Hedges

The Company has also designated intercompany and third party foreign currency denominated debt instruments as net investment hedges. At April 30, 2014, the Company designated £25,036 of intercompany loans as net investment hedges to hedge portions of its net investment in British operations. On May 13, 2010, the Company completed the private placement of €75 million aggregate principal amount of senior unsecured notes to accredited institutional investors. This Euro-denominated debt obligation was designated as a net investment hedge to selectively hedge portions of its net investment in European operations. The Company’s foreign denominated debt obligations are valued under a market approach using publicized spot prices.

Additionally, the Company utilizes forward foreign exchange currency contracts designated as hedge instruments to hedge portions of the Company's net investments in foreign operations. The net gains or losses attributable to changes in spot exchange rates are recorded in OCI. Recognition in earnings of amounts previously recorded in cumulative translation is limited to circumstances such as complete or substantially complete liquidation of the net investment in the hedged foreign operation. At April 30, 2014 and July 31, 2013, the U.S dollar equivalent of these outstanding forward foreign exchange contracts totaled $6,300. As of April 30, 2014 and 2013, the Company recognized OCI losses of $370 and gains of $24, respectively, on its outstanding net investment hedges.

Non-Designated Hedges

For the three and nine months ended April 30, 2014, the Company recognized gains of $403 and $2,268, respectively, in "Investment and other income" on the condensed consolidated statements of earnings related to non-designated hedges. For the three and nine months ended April 30, 2013, the Company recognized losses of $520 and $478, respectively.

Fair values of derivative instruments in the condensed consolidated balance sheets were as follows:

	Asset Derivatives				Liability Derivatives			
	April 30, 2014		July 31, 2013		April 30, 2014		July 31, 2013	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Cash flow hedges								
Foreign exchange contracts	Prepaid expenses and other current assets	$ 34	Prepaid expenses and other current assets	$ —	Other current liabilities	$ 63	Other current liabilities	$ —
Net investment hedges								
Foreign exchange contracts	Prepaid expenses and other current assets	—	Prepaid expenses and other current assets	7	Other current liabilities	17	Other current liabilities	—
Foreign currency denominated debt	Prepaid expenses and other current assets	—	Prepaid expenses and other current assets	—	Long term obligations, less current maturities	103,582	Long term obligations, less current maturities	99,750
Total derivatives designated as hedging instruments		$ 34		$ 7		$ 103,662		$ 99,750
Derivatives not designated as hedging instruments								
Foreign exchange contracts	Prepaid expenses and other current assets	$ 213	Prepaid expenses and other current assets	$ 287	Other current liabilities	$ 47	Other current liabilities	$ 890
Total derivatives not designated as hedging instruments		$ 213		$ 287		$ 47		$ 890

NOTE J — Acquisitions

On December 28, 2012, the Company acquired all of the outstanding shares of Precision Dynamics Corporation ("PDC"), a manufacturer of identification products primarily for the healthcare sector headquartered in Valencia, California. PDC is reported within the Company's ID Solutions segment. Financing for this acquisition consisted of $220,000 from the Company's revolving loan agreement with a group of six banks and the balance from cash on hand. The Company has repaid the total amount of the borrowing, of which $39,000 was repaid during the nine months ended April 30, 2014.

The Company acquired PDC to create an anchor position in the healthcare sector. PDC's large customer base, strong channels to market, and broad product offering provide a strong foundation to build upon PDC's market position.

The table below details the final allocation of the PDC purchase price:

Fair values:		
Cash and cash equivalents	$	12,904
Accounts receivable — net		21,178
Total inventories		16,788
Prepaid expenses and other current assets		4,233
Goodwill		168,150
Other intangible assets		109,300
Other assets		483
Property, plant and equipment		18,015
Accounts payable		(10,060)
Wages and amounts withheld from employees		(4,234)
Taxes, other than income taxes		(600)
Accrued income taxes		(57)
Other current liabilities		(5,181)
Other long-term liabilities		(16,858)
		314,061
Less: cash acquired		(12,904)
Fair value of total consideration	$	301,157

The final valuation was completed in the second quarter of fiscal 2014 . The intangible assets consist of a customer relationship of $102,500, which is being amortized over a life of 10 years, and a definite-lived trademark of $6,800, which is being amortized over a life of 3 years. Of the total $168,150 in acquired goodwill, $57,374 is tax deductible, and $51,672 of the total $109,300 in intangible assets is tax deductible.

The following table reflects the unaudited pro-forma operating results of the Company for the three and nine months ended April 30, 2014 and 2013, which give effect to the acquisition of PDC as if it had occurred at the beginning of fiscal 2012, after adjusting for the amortization of intangible assets, interest expense on acquisition debt, and income tax effects. The pro-forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations which may occur in the future or that would have occurred had the acquisition been effected on the date indicated, nor are they necessarily indicative of the Company's future results of operations.

	Three months ended April 30,				Nine months ended April 30,			
	2014		2013		2014		2013	
Net sales, as reported	$	309,577	$	302,483	$	908,301	$	847,200
Net sales, pro forma		309,577		302,483		908,301		915,625
Earnings from continuing operations, as reported		20,184		21,680		48,835		37,300
Earnings from continuing operations, pro forma		20,184		21,680		48,835		41,600
Basic earnings from continuing operations per Class A Common Share, as reported	$	0.39	$	0.42	$	0.94	$	0.72
Basic earnings from continuing operations per Class A Common Share, pro forma	$	0.39	$	0.42	$	0.94	$	0.81
Diluted earnings from continuing operations per Class A Common Share, as reported	$	0.39	$	0.42	$	0.93	$	0.72
Diluted earnings from continuing operations per Class A Common Share, pro forma	$	0.39	$	0.42	$	0.93	$	0.80

Pro forma results for the nine months ended April 30, 2013, were adjusted to exclude $3,600 of acquisition-related expenses and $1,530 of nonrecurring expense related to the fair value adjustment to acquisition-date inventory, and were adjusted to include $529 in interest expense on acquisition debt, $135 in income tax benefit, and $6,208 of pretax amortization expense related to intangible assets.

NOTE K — Discontinued Operations

The Company announced its plan to divest its Die-Cut business in fiscal 2013. As a result, the business has been classified as assets and liabilities held for sale in accordance with the authoritative literature as of April 30, 2014 and July 31, 2013. The disposal group has been recorded based on the estimated fair value less costs to sell, which resulted in a write down of $15,658, recorded in the third quarter of fiscal 2013. The operating results have been reported as discontinued operations for the three and nine month comparative periods ended April 30, 2014 and 2013, including the operating results of the following two previously divested businesses:

Divestitures	Segment	Date Completed
Precision Converting, LLC (“Brady Medical”)	ID Solutions	August 2012
Varitronics	ID Solutions	October 2012

The following table summarizes the operating results of discontinued operations for the three and nine months ended April 30, 2014 and 2013:

	Three months ended April 30,		Nine months ended April 30,	
	2014	2013	2014	2013
Net sales	$ 46,246	$ 48,849	$ 161,862	$ 168,688
Earnings (loss) from operations of discontinued businesses	3,629	(16,054)	16,390	(11,201)
Income tax benefit (expense)	275	(1,393)	(784)	(3,363)
Earnings (loss) from discontinued operations, net of income tax	$ 3,904	$ (17,447)	$ 15,606	$ (14,564)

The following table details the assets and liabilities of the Die-Cut disposal group classified as held for sale as of April 30, 2014:

	April 30, 2014
Accounts receivable—net	$ 39,667
Total inventories	16,451
Prepaid expenses and other current assets	922
Total current assets	57,040
Other assets:	
Goodwill	37,032
Other intangible assets	914
Other	1,541
Property, plant and equipment—net	28,671
Total assets	$ 125,198
Current liabilities:	
Accounts payable	$ 21,252
Wages and amounts withheld from employees	1,725
Other current liabilities	417
Total current liabilities	23,394
Other liabilities	1,142
Total liabilities	$ 24,536
Net assets of disposal group	100,662
Less: write-down on disposal group	(15,658)
Net assets of disposal group at fair value	$ 85,004

In accordance with authoritative literature, accumulated other comprehensive income will be reclassified to the statement of earnings upon liquidation or substantial liquidation of the disposal group. As of April 30, 2014, the accumulated other comprehensive income attributable to the disposal group was approximately $31,000.

On February 24, 2014, Brady Corporation and LTI Flexible Products, Inc. (d/b/a Boyd Corporation) entered into a Share and Asset Purchase Agreement for the sale of the Company's Die-Cut Business. The first phase of the sale closed on May 1, 2014. Refer to Note N, "Subsequent Events," for additional information.

NOTE L - Notes Payable

In December 2012, the Company drew down $220,000 from its revolving loan agreement to fund a portion of the purchase price of the acquisition of PDC. As of July 31, 2013, there was $39,000 outstanding on this revolving loan agreement, which was repaid during the nine months ended April 30, 2014. During the three months ended April 30, 2014, the Company drew down an additional $63,000 in order to fund principal payments on the private placement note issuances, dividends, share repurchases, and other corporate needs During the nine months ended April 30, 2014, the maximum amount outstanding on the revolving loan agreement was $72,000. As of April 30, 2014, the outstanding balance on the credit facility was $63,000 and there was $237,000 available for future borrowing, which can be increased to $387,000 at the Company's option, subject to certain conditions. The Company intends to repay the remainder of the borrowing within 12 months of the current period end. As such, the borrowing is classified as "Notes payable" within current liabilities on the condensed consolidated balance sheets.

In February 2013, the Company entered into a USD-denominated line of credit facility in the People's Republic of China. The facility supports USD-denominated borrowing to fund working capital and operations for the Company's Chinese entities. During the nine months ended April 30, 2014, the maximum amount outstanding was $14,946, comprised entirely of USD-denominated borrowings. During the nine months ended April 30, 2014, the Company repaid $2,401 of this borrowing. As of April 30, 2014, the outstanding balance was $12,552 and there was $13,648 available for future borrowing under this credit facility.

As of April 30, 2014, borrowings on the revolving loan agreement and China credit facility were as follows:

	Interest Rate	April 30, 2014
USD-denominated borrowing on revolving loan agreement	1.2465%	$ 63,000
USD-denominated borrowing on China line of credit	1.5518%	12,552
Notes payable	1.3992%	$ 75,552

NOTE M — New Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires entities to disclose additional information for items reclassified out of accumulated other comprehensive income ("AOCI"). For items reclassified out of AOCI and into net earnings in their entirety, entities are required to disclose the effect of the reclassification in each affected line in the statement of earnings. For AOCI reclassification items that are not reclassified in their entirety into net earnings, a cross reference to other required U.S. GAAP disclosures is required. This information may be provided either in the notes or parenthetically on the face of the statement that reports net earnings as long as all the information is disclosed in a single location. However, an entity is prohibited from providing this information parenthetically on the face of the statement that reports net earnings if it has items that are not reclassified in their entirety into net earnings. The adoption of this update did not have a material impact on the Company's condensed consolidated financial statements; however, the Company provided additional disclosures as required by ASU 2013-02 in Note C, "Comprehensive Income," in the notes to the condensed consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity," which applies to the release of the cumulative translation adjustment into net earnings when a parent either sells a part or all of its investment in a foreign entity, or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. The guidance requires that a parent deconsolidate a subsidiary or derecognize a group of assets that is a business if the parent ceases to have a controlling financial interest in that group of assets, and resolves the diversity in practice for the treatment of business combinations achieved in stages involving a foreign entity. The guidance is effective for annual and interim reporting periods beginning after December 15, 2013. The adoption of this update did not have a material impact on the condensed consolidated financial statements of the Company.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," which requires entities to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss (“NOL”) or tax credit carryforward whenever the NOL or tax credit carryforward would be available to reduce the additional taxable income or tax due if the tax position is disallowed. This accounting standard update requires entities to assess whether to net the unrecognized tax benefit with a deferred tax asset as of the reporting date. This guidance is effective for fiscal years beginning after December 15, 2013. The Company is not anticipating adoption of this update to have a material impact on the Company's condensed consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity", which includes amendments that change the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization’s operations and financial results. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, expenses and cash flows of discontinued operations. The guidance is effective for fiscal and interim periods beginning after December 15, 2014. The adoption of this update is not expected to have a material impact on the financial statements of the Company.

NOTE N — Subsequent Events

On May 1, 2014, the Company closed the first phase of the sale of the Die-Cut business to LTI Flexible Products, Inc. (d/b/a Boyd Corporation) for cash proceeds of approximately $53,000. This phase included the die-cut businesses in Korea, Thailand and Malaysia, and the Balkhausen business in Europe. The remainder of the Asia Die-Cut business is located in China, and its divestiture is expected to close in the fourth quarter ending July 31, 2014.

On May 21, 2014, the Board of Directors declared a quarterly cash dividend to shareholders of the Company’s Class A and Class B Common Stock of $0.195 per share payable on July 31, 2014, to shareholders of record at the close of business on July 10, 2014.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Overview

Brady Corporation is a global manufacturer and supplier of identification solutions, specialty materials, and workplace safety products that identify and protect premises, products and people. The ability to provide customers with a broad range of proprietary, customized and diverse products for use in various applications, along with a commitment to quality and service, a global footprint and multiple sales channels, have made Brady a leader in many of its markets.

The Company made significant portfolio and management decisions during fiscal 2013 in order to better position the Company for growth in the future, including:

- Divestiture of non-strategic businesses and the announcement of management’s intent to divest its Die-Cut business in order to reduce its reliance on the consumer electronics industry.
- Acquisition of Precision Dynamics Corporation (“PDC”), a leader in healthcare identification, providing Brady with an entrance into the healthcare industry.
- Realignment of business structure from regional to two global product-based platforms: Identification Solutions (“IDS”) and Workplace Safety (“WPS”).

Refer to Part I, Item 1, "Business," of the Company’s fiscal 2013 Form 10-K for additional information regarding fiscal 2013 activities impacting the business.

With these structural changes in place, the Company is targeting the following key initiatives:

- Returning the WPS business to organic sales growth. The Company is expanding its multi-channel direct marketing model by expanding its offering of identification and workplace safety products with a heightened focus on proprietary and customized product offerings and an increased emphasis on e-commerce.
- Growing the Company's IDS business primarily through salesforce expansion in the United States and EMEA, increased focus on strategic accounts, and the development of innovative proprietary new products.
- Completing the second phase of the sale of the Die-Cut business, following the closing of the first phase on May 1, 2014.
- Reducing the Company's cost structure through the consolidation of selected manufacturing facilities in the Americas and Europe.
- Providing the Company's customers with innovative products and the highest level of customer service.

The Company’s largest segment, IDS, which represents approximately 70% of sales from continuing operations, realized organic sales growth of 3.6% during the first three quarters of fiscal 2014. We continue to focus on key markets and accounts, increasing our sales force, and development of proprietary products. Sales within the WPS segment have declined and we have implemented several planned strategies, which reduced the organic sales decline in this business from 10% in the first quarter of fiscal 2014 to 1.9% in the third quarter of fiscal 2014.Sales growth will be key to improving the WPS segment profit margin as this business has a relatively high fixed cost structure and thus, a change in sales will have a leveraged impact on net earnings.

Results of Operations

A comparison of results of Operating Income for the three and nine months ended April 30, 2014 and 2013 is as follows:

	Three months ended April 30,					Nine months ended April 30,				
(Dollars in thousands)	2014	% Sales	% Change	2013	% Sales	2014	% Sales	% Change	2013	% Sales
Net Sales	$ 309,577		2.3 %	$ 302,483		$ 908,301		7.2 %	$ 847,200	
Gross Margin	155,120	50.1%	(2.7)%	159,401	52.7%	455,504	50.1%	0.9 %	451,477	53.3%
Operating Expenses:										
Research and Development	8,648	2.8%	7.3 %	8,062	2.7%	25,675	2.8%	6.3 %	24,162	2.9%
Selling, General & Administrative	116,666	37.7%	4.3 %	111,864	37.0%	340,825	37.5%	6.2 %	320,874	37.9%
Restructuring charges	3,039	1.0%	(64.4)%	8,540	2.8%	14,202	1.6%	35.6 %	10,473	1.2%
Total operating expenses	128,353	41.5%	(0.1)%	128,466	42.5%	380,702	41.9%	7.1 %	355,509	42.0%
Operating Income	$ 26,767	8.6%	(13.5)%	$ 30,935	10.2%	$ 74,802	8.2%	(22.1)%	$ 95,968	11.3%

Sales for the three months ended April 30, 2014 increased 2.3% to $309.6 million, compared to $302.5 million in the same period of the prior year. The increase in sales was a result of organic sales growth of 2.5% and a negative currency impact of 0.2%. The organic sales improvement was a result of 4.8% organic sales growth in the IDS segment, partially offset by a decline of 1.9% in organic sales in the WPS segment.

Sales for the nine months ended April 30, 2014 increased 7.2% to $908.3 million, compared to $847.2 million in the same period of the prior year. The increase in sales was primarily a result of the prior year acquisition of PDC, which added 7.7% in sales, which was partially offset by an organic sales decline of 0.1% and a negative currency impact of 0.4%. The organic sales decline was due to a 6.3% organic sales decline in the WPS segment, mostly offset by 3.6% organic sales growth in the IDS segment.

Gross margin as a percentage of sales decreased to 50.1% for the three months ended April 30, 2014, from 52.7% in the same period of the prior year. The decline was due to an increase in incentive compensation and the sales decline in the WPS business, with a smaller negative impact from results in the IDS business. The increase in incentive compensation in the current period was due to the reversal of the accrual for employee bonuses in the third quarter ended April 30, 2013, resulting in a benefit of approximately $2.1 million, compared to bonus expense of approximately $0.6 million during the quarter ended April 30, 2014. In the WPS segment, gross margin declined due to pricing actions and reduced sales as compared to the same period in the prior year. In the IDS segment, gross margin was negatively impacted by incentive compensation, facility consolidation related expenses, and product mix.

Gross margin as a percentage of sales decreased to 50.1% for the nine months ended April 30, 2014, from 53.3% in the same period of the prior year. The decline was due to both the IDS and WPS segments, with a slightly larger impact from the IDS segment due to the increase in incentive compensation and an increase in total company mix of IDS sales. The decline in gross margin within the WPS business was due to the decrease in sales and price reductions compared to the prior year.

Research and development ("R&D") for the three months ended April 30, 2014, increased 7.3% to $8.6 million, compared to $8.1 million in the same period of the prior year, and increased 6.3% to $25.7 million for the nine months ended April 30, 2014, compared to $24.2 million for the same period in the prior year. R&D expense remained relatively consistent as a percentage of sales as it increased to 2.8% from 2.7% for the three months and decreased to 2.8% from 2.9% for the nine months ended April 30, 2014, compared to the same periods of the prior year. The increase in R&D expense for both the three and nine month periods was due to increased investment in new products including the BMP21 Plus hand-held printer, which launched in the third quarter of fiscal 2014.

Selling, general and administrative expenses ("SG&A") increased 4.3% to $116.7 million for the three months ended April 30, 2014, compared to $111.9 million in the same period in the prior year. The increase was primarily due to the reversal of the accrual for employee bonuses that occurred during the third quarter ended April 30, 2013, resulting in a benefit of approximately $1.8 million, compared to bonus expense of approximately $1.2 million during the quarter ended April 30, 2014. In addition, SG&A increased due to the investment in the WPS business in the current quarter.

SG&A increased 6.2% to $340.8 million for the nine months ended April 30, 2014, compared to $320.9 million in the same period of the prior year. The increase was due to incremental SG&A associated with the PDC acquisition of approximately $21 million.

During the nine months ended April 30, 2014, the Company's Board of Directors approved a restructuring plan to consolidate facilities in North America, Europe and Asia. The Company implemented this restructuring plan to enhance customer service, improve efficiency of operations and reduce operating expenses. The Company expects to incur pre-tax charges of approximately $22 million in fiscal 2014 and expects approximately $10 million in annualized, pre-tax operational savings once these restructuring actions are fully complete. Facility consolidation activities will extend into fiscal 2015 and may result in additional charges. Restructuring charges for the three and nine months ended April 30, 2014 were $3.0 million and $14.2 million, respectively. Of the $3.0 million recognized during the three-month period, $1.1 million was incurred within the IDS segment and $1.9 million was incurred within the WPS segment. Of the $14.2 million recognized during the nine-month period ended April 30, 2014, $7.6 million was incurred within the IDS segment and $6.6 million was incurred within the WPS segment.

Restructuring charges were $8.5 million and $10.5 million for the three and nine months ended April 30, 2013, respectively. The charges for the three month period primarily consisted of employee separation costs associated with the restructuring plan announced in February 2013 to reorganize into global product-based business platforms and reduce our global cost structure. In addition to employee costs, $3.2 million related to a non-cash write-off of tradenames as a result of brand consolidation efforts that took place during the third quarter. Of the $8.5 million in restructuring charges recorded during the quarter, $3.0 million was incurred within the IDS segment and $5.5 million was incurred within the WPS segment. Of the $10.5 million in restructuring charges recognized during the nine months ended April 30, 2013, $4.7 million was incurred within the IDS segment and $5.8 million was incurred within the WPS segment.

Operating income was $26.8 million during the three months ended April 30, 2014; excluding restructuring charges of $3.0 million, operating income was $29.8 million. Operating income was $30.9 million for the three months ended April 30, 2013; excluding restructuring charges of $8.5 million and the $4.1 million benefit from the reversal of incentive compensation, operating income was $35.3 million. This decline of $5.5 million was primarily due to the decrease in sales and segment profit within the WPS segment.

Operating income was $74.8 million during the nine months ended April 30, 2014; excluding restructuring charges of $14.2 million, operating income was $89.0 million. Operating income was $96.0 million for the nine months ended April 30, 2013; excluding restructuring charges of $10.5 million and $3.6 million in professional fees related to the PDC acquisition, operating income was $110.1 million. This decline of $21.1 million was due to the decrease in sales and segment profit within the WPS segment, partially offset by an improvement in segment profit in the IDS segment.

OPERATING INCOME TO NET EARNINGS

	Three months ended April 30,				Nine months ended April 30,			
(Dollars in thousands)	**2014**	**% Sales**	**2013**	**% Sales**	**2014**	**% Sales**	**2013**	**% Sales**
Operating income	$ 26,767	8.6 %	$ 30,935	10.2 %	$ 74,802	8.2 %	$ 95,968	11.3 %
Other income and (expense):								
Investment and other income	872	0.3 %	1,133	0.4 %	1,887	0.2 %	2,427	0.3 %
Interest expense	(3,381)	(1.1)%	(4,186)	(1.4)%	(10,777)	(1.2)%	(12,755)	(1.5)%
Earnings from continuing operations before income tax	24,258	7.8 %	27,882	9.2 %	65,912	7.3 %	85,640	10.1 %
Income tax expense	4,074	1.3 %	6,202	2.1 %	17,077	1.9 %	48,340	5.7 %
Earnings from continuing operations	$ 20,184	6.5 %	$ 21,680	7.2 %	$ 48,835	5.4 %	$ 37,300	4.4 %
Earnings (loss) from discontinued operations, net of income taxes	3,904	1.3 %	(17,447)	(5.8)%	15,606	1.7 %	(14,564)	(1.7)%
Net earnings	$ 24,088	7.8 %	$ 4,233	1.4 %	$ 64,441	7.1 %	$ 22,736	2.7 %

Investment and other income decreased to $0.9 million for the three months ended April 30, 2014, from $1.1 million for the same period in the prior year. Investment and other income decreased to $1.9 million for the nine months ended April 30, 2014, from $2.4 million for the same period in the prior year. For the three-month period, the decrease was primarily due to foreign currency losses. For the nine-month period, the decrease was primarily due to a reduction in interest income and a decline in the gain recognized on securities held in the executive and director deferred compensation plans.

Interest expense decreased to $3.4 million for the three months ended April 30, 2014, from $4.2 million for the same period in the prior year. Interest expense decreased to $10.8 million for the nine months ended April 30, 2014, from $12.8 million for the same period in the prior year. For both the three and nine-month periods, the decrease was due to the Company’s declining principal balance under its outstanding long-term debt agreements.

The Company’s effective tax rate on continuing operations was 16.8% for the three months and 25.9% for the nine months ended April 30, 2014, compared to 22.2% for the three months and 56.4% for the nine months ended April 30, 2013. The decrease in the effective tax rate for the three months was primarily due to a benefit from the release of tax reserves as a result of expired statutes of limitation. The decrease in the nine-month tax rate was primarily driven by the $25.0 million non-cash tax charge recorded in the second quarter ended January 31, 2013, associated with the repatriation of cash to fund the acquisition of PDC.

Discontinued Operations

Discontinued operations include the Asia Die-Cut and Balkhausen Die-Cut business ("Die-Cut"), which was classified as held for sale as of April 30, 2014. The Brady Medical and Varitronics businesses were also included in discontinued operations, which were divested in August 2012 and October 2012, respectively, both within the IDS segment. The Company entered into an agreement with LTI Flexible Products, Inc. (d/b/a Boyd Corporation) on February 24, 2014, for the sale of the Die-Cut business.. The first phase of this divestiture closed on May 1, 2014, and the Company received approximately $53 million of cash proceeds for its businesses in Korea, Thailand and Malaysia, and its Balkhausen business in Europe. The remainder of the Die-Cut business is located in China and its divestiture is expected to close in the fourth quarter ending July 31, 2014.

Discontinued operations generated earnings net of income taxes of $3.9 million and a loss of $17.4 million for the three months ended April 30, 2014 and 2013, respectively. The loss in the prior year was driven by the $15.7 million write-down of the disposal group to its estimated fair value less cost to sell. Income net of income taxes from discontinued operations increased in the current quarter due to the discontinuance of depreciation and amortization expense of $3.0 million (pre-tax), and a tax benefit of $1.5 million due to the release of tax reserves from expired statutes of limitation in certain countries.

Discontinued operations generated income net of income taxes of $15.6 million and a loss of $14.6 million for the nine months ended April 30, 2014 and 2013, respectively. The loss in the nine months ended April 30, 2013 was driven by the $15.7 million write-down of the disposal group to its estimated fair value less cost to sell. Income net of income taxes from discontinued operations increased in the nine months ended April 30, 2014 due to the discontinuance of depreciation and amortization expense of $9.0 million (pre-tax), a tax benefit of $3.1 million associated with the conclusion of a tax audit and a tax benefit of $1.5 million due to the release of tax reserves from expired statutes of limitations. The nine months ended April 30, 2013 also included a $5.2 million gain on the settlement of the insurance claim related to a flood in Thailand.

The Asia Die-Cut business was first reported as held for sale as of the quarter ended April 30, 2013, and the Balkhausen Die-Cut business was first reported as held for sale as of the quarter ended July 31, 2013, at which point the fixed assets and intangible assets of these businesses were no longer depreciated or amortized in accordance with applicable U.S. GAAP.

Business Segment Operating Results

The Company is organized and managed on a global basis within two business platforms: IDS and WPS, which are the reportable segments. Each business platform has a President (or acting President) that reports directly to the Company's chief operating decision maker, its Interim Chief Executive Officer and Chief Financial Officer. Each platform has its own distinct operations, maintains its own financial reports and is evaluated based on global segment profit. The Company has determined that these business platforms comprise its operating and reportable segments based on the information used by the Interim Chief Executive Officer and Chief Financial Officer to allocate resources and assess performance.

The following is a summary of segment information for the three and nine months ended April 30, 2014 and 2013:

	Three months ended April 30,		Nine months ended April 30,	
(Dollars in thousands)	**2014**	**2013**	**2014**	**2013**
SALES TO EXTERNAL CUSTOMERS				
ID Solutions	$ 206,448	$ 197,417	$ 610,726	$ 528,044
Workplace Safety	103,129	105,066	297,575	319,156
Total	$ 309,577	$ 302,483	$ 908,301	$ 847,200
SALES GROWTH INFORMATION				
ID Solutions				
Organic	4.8 %	(1.9)%	3.6 %	0.3 %
Currency	(0.2)%	(1.0)%	(0.3)%	(1.4)%
Acquisitions	— %	25.3 %	12.4 %	12.2 %
Total	4.6 %	22.4 %	15.7 %	11.1 %
Workplace Safety				
Organic	(1.9)%	(9.0)%	(6.3)%	(6.4)%
Currency	0.1 %	(1.1)%	(0.5)%	(1.0)%
Acquisitions	—%	5.0 %	—%	5.3 %
Total	(1.8)%	(5.1)%	(6.8)%	(2.1)%
Total Company				
Organic	2.5 %	(4.8)%	(0.1)%	(2.5)%
Currency	(0.2)%	(1.0)%	(0.4)%	(1.2)%
Acquisitions	—%	17.0 %	7.7 %	9.4 %
Total	2.3 %	11.2 %	7.2 %	5.7 %
SEGMENT PROFIT				
ID Solutions	$ 44,302	$ 46,787	$ 132,795	$ 126,011
Workplace Safety	14,771	23,453	47,813	74,881
Total	$ 59,073	$ 70,240	$ 180,608	$ 200,892
SEGMENT PROFIT AS A PERCENT OF SALES				
ID Solutions	21.5 %	23.7 %	21.7 %	23.9 %
Workplace Safety	14.3 %	22.3 %	16.1 %	23.5 %
Total	19.1 %	23.2 %	19.9 %	23.7 %

The following is a reconciliation of segment profit to earnings from continuing operations before income taxes for the three and nine months ended April 30, 2014 and 2013:

	Three months ended April 30,		Nine months ended April 30,	
	2014	2013	2014	2013
Total profit from reportable segments	$ 59,073	$ 70,240	$ 180,608	$ 200,892
Unallocated amounts:				
Administrative costs	(29,267)	(30,765)	(91,604)	(94,451)
Restructuring charges	(3,039)	(8,540)	(14,202)	(10,473)
Investment and other income	872	1,133	1,887	2,427
Interest expense	(3,381)	(4,186)	(10,777)	(12,755)
Earnings from continuing operations before income taxes	$ 24,258	$ 27,882	$ 65,912	$ 85,640

ID Solutions

Approximately 70% of net sales in the IDS segment were generated in the Americas region, 20% in EMEA and 10% in APAC. IDS sales increased 4.6% to $206.4 million for the three months and 15.7% to $610.7 million for the nine months ended April 30, 2014, compared to $197.4 million and $528.0 million, respectively, for the same periods in the prior year. The acquisition of PDC in December 2012 had minimal impact on the current quarter; however it increased sales by 12.4% for the nine months ended April 30, 2014 as compared to the same period in the prior year. Organic sales increased 4.8% and 3.6% during the three and nine months ended April 30, 2014, respectively, compared to the same periods in the prior year. Currency fluctuations were minimal, decreasing sales by 0.2% and 0.3% in the three and nine months ended April 30, 2014, respectively.

Organic sales within the IDS business in the Americas grew in the low single digit percentages for the three and nine months ended April 30, 2014. In North America, the slowdown in order patterns from large distributors that we experienced at the end of the second quarter of fiscal 2014 continued mid-way into the third quarter, then returned to a more normalized order pattern for the remainder of the quarter. The PDC business had organic sales growth of approximately 1% for the three months ended April 30, 2014, as compared to the same period in the prior year, due to increased volumes and increased market share from sales synergy opportunities with our PeopleID business. This growth represented an improvement from the organic sales declines realized in the prior two quarters of fiscal 2014. PDC’s healthcare business has historically correlated with U.S. hospital admission rates, which declined by approximately 2% for the three and nine month periods. IDS sales were flat in Brazil for the three months ended April 30, 2014, compared to the same period in the prior year, which represented a slight improvement from the organic sales decline we realized in prior quarters this fiscal year. The Brazilian business demonstrated signs of improvement as we have taken action to improve customer service and product quality. We are further reviewing our Brazilian cost structure to ensure that our business is appropriately sized to the current business environment.

The IDS business in EMEA continued the trend from the preceding two quarters of fiscal 2014 with mid-single-digit organic sales growth for the three months ended April 30, 2014, as compared to the same period in the prior year. Growth continued to be driven by our businesses in the established Western European economies as well as Central Europe where our recently launched printers, including the BMP21 Plus contributed to our growth.

Sales within the IDS business in APAC continued the trend from the preceding two quarters of fiscal 2014 with double-digit organic sales growth for the three and nine months ended April 30, 2014, as we have experienced success in delivering high-quality, labeling products to our OEM customer base, while also expanding our MRO business. Sales of product identification to our OEM customers in China were particularly strong as we continue to expand production capacity and capabilities. Sales growth of our MRO business was positive, but less robust than OEM, and we are investing in the growth potential of this region as we focus on building partnerships with key strategic customers and distributors and expand our production capacity and capabilities.

Segment profit decreased to $44.3 million from $46.8 million, or 5.3%, for the three months, and increased to $132.8 million from $126.0 million, or 5.4%, for the nine months ended April 30, 2014, compared to the same periods in the prior year. Incentive compensation increased by approximately $4.9 million in the three and nine months ended April 30, 2014, which was due to the reversal of the accrual for employee bonuses in the three months ended April 30, 2013. If incentive compensation were consistent year on year, segment profit would have increased by $2.4 million and $11.7 million, or 5.7% and 9.7% for the three and nine months ended April 30, 2014, respectively.

As a percentage of sales, segment profit decreased to 21.5% from 23.7% for the three months, and decreased to 21.7% from 23.9% for the nine months ended April 30, 2014, compared to the same periods in the prior year. The decline in segment profit as a percentage of sales for the three and nine months was primarily due to the increase in incentive compensation. If incentive compensation were consistent year on year, segment profit as a percentage of sales would have increased to 23.8% from 23.7% for the three months, and would have decreased to 22.5% from 23.9% for the nine months ended April 30, 2014, compared to the same periods in the prior year. The remaining decline in segment profit as a percentage of sales was due to facility consolidation costs and PDC for the nine-month period, as the incremental profit added by PDC is dilutive to our segment profit percentage.

Effective August 1, 2013, the existing Brady PeopleID business was integrated into the PeopleID reporting unit, which previously consisted entirely of the PDC business and, as a result, the Company completed an analysis as of this date to conclude upon the appropriate goodwill allocation and any impairment indicators. The PeopleID reporting unit had a fair value in excess of carrying value of 12% and a goodwill balance of $193.3 million at April 30, 2014. In order to conclude upon the assumptions for the discounted cash flow analysis, the Company considered multiple factors, including (a) macroeconomic conditions, (b) industry and market factors such as competition and changes in the market for the reporting unit’s products, (c) overall financial performance such as cash flows, actual and planned revenue, and profitability, and (d) changes in strategy for the reporting unit. If the PeopleID reporting unit does not meet its projections, it could become impaired, which may adversely affect earnings in the period in which the charge is recorded. The assumptions with the most impact on our determination of the fair value of the PeopleID reporting unit are sales growth and profitability. A reduction in the annual sales growth or annual profitability assumptions by 100 basis points would result in a fair value of less than carrying value for the reporting unit.

WPS

Approximately 50% of net sales in the WPS segment were generated in EMEA, 35% in the Americas and 15% in APAC. Beginning in the second quarter of fiscal 2012, due to a reduction in direct catalog mailings, increased e-commerce competition, and pricing adjustments, the WPS business segment sales declined and continued to decline in all subsequent quarters. As a result, in connection with our organizational change to global business platforms, we refined our WPS strategy to focus on and invest in the following: increasing our volume of catalog mailings, expanding our e-commerce presence, increasing the offering of workplace safety products, enhancing our industry expertise, and further developing our pricing capabilities.

Although year-over-year organic sales declined 1.9% for the three months ended April 30, 2014, this was an improvement over prior quarters as the rate of decline has slowed. During the quarter ended April 30, 2014, we realized low single digit growth in Europe while the Americas and APAC had mid-single digit declines, which was an improvement compared to the declines realized in the first and second quarters of fiscal 2014.

WPS sales decreased 1.8% to $103.1 million for the three months and 6.8% to $297.6 million for the nine months ended April 30, 2014, compared to $105.1 million and $319.2 million, respectively, for the same periods in the prior year. Organic sales declined 1.9% for the third quarter, an improvement from the decline of 6.8% in the second quarter and 10.0% in the first quarter of fiscal 2014, all as compared to the same periods in the prior year. Organic sales decreased 6.3% for the nine months ended April 30, 2014, compared to the same period in the prior year. Currency fluctuations were minimal, increasing sales by 0.1% and decreasing sales by 0.5% in the three and nine months ended April 30, 2014, respectively, compared to the same periods in the prior year.

WPS sales in the Americas improved slightly as the percentage rate of decline lessened to mid-single-digits. Similar to the IDS business in the U.S., our WPS business had a slow start to the third quarter. February and the first half of March were weak, followed by improved order patterns in the last half of the quarter ended April 30, 2014.

The WPS business in Europe, primarily the established Western European economies, realized a low-single-digit sales percentage increase for the three months ended April 30, 2014, improving from a mid-single-digit sales percentage decline in the first half of fiscal 2014. This improvement was driven by increases in new customers and order volumes.

WPS sales in APAC, which entirely consists of Australia, experienced a mid-single-digit percentage sales decline for the three months ended April 30, 2014, compared to the same period in the prior year. This was an improvement over the double-digit percentage sales decline in the first half of fiscal 2014. While the Company’s Australian business is focused within many diverse industries, it has a higher concentration in industries that are experiencing economic challenges which include manufacturing, non-residential construction, and most importantly, mining. Management has taken action to reduce our cost structure in Australia while at the same time implementing sales growth initiatives.

Segment profit decreased to $14.8 million from $23.5 million for the three months, and decreased to $47.8 million from $74.9 million for the nine months ended April 30, 2014, compared to the same periods in the prior year. As a percentage of sales, segment profit decreased to 14.3% from 22.3% for the three months, and decreased to 16.1% from 23.5% for the nine months ended April 30, 2014, compared to the same periods in the prior year. The segment profit decline for the three and nine-month periods was due to pricing actions, changes in mix and sales strategy, and the strategic investments intended to return the business to growth.

The WPS EMEA and WPS APAC reporting units had goodwill of $60.3 million and $32.8 million, respectively, as of April 30, 2014. These reporting units have experienced a decline in sales for the last ten quarters primarily due to reduced sales generated from catalogs, as well as an economic slowdown within Western Europe and Australia. Although our sales in e-commerce have increased, the shift is not sufficient to entirely compensate for the lost sales from the traditional catalog model. Management is addressing this via investments in digital capabilities, increased catalog spend, and focused emphasis on growing the customer base, and we anticipate returning to annual sales growth over the next several years. The annual goodwill impairment analysis performed as of May 1, 2013 for these reporting units resulted in a significant fair value excess over carrying value, which the Company considers to be at 20% or greater. However, if the Company does not realize a sufficient return on its strategic investment in the WPS business, these reporting units could face the risk of a material goodwill impairment charge, which may adversely affect earnings in the period in which the charge is recorded. The third reporting unit in the WPS segment is WPS Americas, which had goodwill of $10.9 million as of April 30, 2014. The goodwill of this reporting unit was impaired during fiscal 2013 and had a significant excess of fair value over carrying value subsequent to the impairment charge.

Financial Condition

Cash and cash equivalents decreased by $12.3 million and $228.9 million during the nine months ended April 30, 2014 and 2013. The significant changes were as follows:

	Nine months ended April 30,	
(Dollars in thousands)	**2014**	**2013**
Net cash flow provided by (used in):		
Operating activities	$ 75,840	$ 89,630
Investing activities	(30,455)	(318,306)
Financing activities	(61,626)	(6,448)
Effect of exchange rate changes on cash	3,898	6,258
Net decrease in cash and cash equivalents	$ (12,343)	$ (228,866)

Net cash provided by operating activities decreased by $13.8 million to $75.8 million from $89.6 million for the nine months ended April 30, 2014 and 2013, respectively. The decline was due to the $27 million decline in WPS segment profit, offset by improvements in operating assets and liabilities of approximately $13 million. Cash flow from accounts receivable and accounts payable improved due to working capital initiatives that began last fiscal year, partially offset by inventory increases from facility consolidations this fiscal year. Accounts payable improved in all geographies and accounts receivable improved in Europe and APAC.

Net cash used in investing activities was $30.5 million for the nine months ended April 30, 2014, compared to $318.3 million used in the same period of the prior year. The decrease in cash used in investing activities was due to the acquisition of PDC for $301.2 million, partially offset by $10.2 million in cash received from the divestitures of Brady Medical and Varitronics during the nine months ended April 30, 2013.

Net cash used in financing activities was $61.6 million during the nine months ended April 30, 2014, compared to $6.4 million used in the same period of the prior year. The increase in cash used in financing activities was primarily due to an increase in the net drawdown on the revolving loan agreement and line of credit of $33.7 million and an increase in cash used for share repurchases of $18.2 million.

During fiscal 2004 through fiscal 2007, the Company completed three private placement note issuances totaling $500 million of ten-year fixed rate notes with varying maturity dates to institutional investors at interest rates varying from 5.14% to 5.33%. The notes must be repaid equally over seven years, with initial payment due dates ranging from 2008 to 2011, with interest payable on the notes semiannually on various dates throughout the year, which began in December 2004. The private placements were exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for repaying them prior to the maturity date.

On May 13, 2010, the Company completed a private placement of €75 million aggregate principal amount of senior unsecured notes to accredited institutional investors. The €75 million of senior notes consists of €30 million aggregate principal amount of 3.71% Series 2010-A Senior Notes, due May 13, 2017 and €45 million aggregate principal amount of 4.24% Series 2010-A Senior Notes, due May 13, 2020, with interest payable on the notes semiannually. This private placement was exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for prepaying them prior to maturity. The notes have been fully and unconditionally guaranteed on an unsecured basis by the Company's domestic subsidiaries. These unsecured notes were issued pursuant to a note purchase agreement, dated May 13, 2010.

On February 1, 2012, the Company and certain of its subsidiaries entered into an unsecured $300 million multi-currency revolving loan agreement with a group of six banks. Under the revolving loan agreement, which has a final maturity date of February 1, 2017, the Company has the option to select either a base interest rate (based upon the higher of the federal funds rate plus one-half of 1% or the prime rate of Bank of America plus a margin based upon the Company's consolidated leverage ratio) or a Eurocurrency interest rate (at the LIBOR rate plus a margin based on the Company's consolidated leverage ratio). At the Company's option, and subject to certain conditions, the available amount under the revolving loan agreement may be increased from $300 million to $450 million.

In December 2012, the Company drew down $220 million from its revolving loan agreement to fund a portion of the purchase price of the acquisition of PDC. The borrowings bear interest at LIBOR plus 1.125% per annum, which will be reset from time to time based upon changes in the LIBOR rate. As of July 31, 2013, there was $39 million outstanding on this revolving loan agreement, which was repaid during the nine months ended April 30, 2014. During the three months ended April 30, 2014, the Company drew down an additional $63 million in order to fund dividends, principal payments on the private placement note issuances, share repurchases, and general corporate needs. The maximum amount outstanding on the revolving loan agreement during the period was $72 million. As of April 30, 2014, the outstanding balance on the revolving loan agreement was $63 million and there was $237 million available for future borrowing, which could be increased to $387 million at the Company’s option, subject to certain conditions.

In February 2013, the Company entered into an unsecured $26.2 million multi-currency line of credit in China. The line of credit supports USD-denominated or CNY-denominated borrowing to fund working capital and operations for the Company's Chinese entities. Borrowings under this facility may be made for a period up to one year from the date of borrowing with interest on the borrowings incurred equal to U.S. Dollar LIBOR on the date of borrowing plus a margin based upon duration. There is no ultimate maturity of the facility and the facility is subject to periodic review and repricing. The Company is not required to comply with any financial covenants as part of this agreement. During fiscal 2014, the maximum amount outstanding was $14.9 million, comprised entirely of USD-denominated borrowings. During the three months ended April 30, 2014, the Company repaid $2.4 million of this borrowing resulting in a balance of $12.6 million at April 30, 2014. There was $13.6 million available for future borrowing under this credit facility at the end of the reporting period.

The Company’s debt and revolving loan agreements require it to maintain certain financial covenants. The Company’s June 2004, February 2006, March 2007, and May 2010 private placement debt agreements require the Company to maintain a ratio of debt to the trailing twelve month EBITDA, as defined in the debt agreements, of not more than a 3.5 to 1.0 ratio (leverage ratio). As of April 30, 2014, the Company was in compliance with the financial covenant of the June 2004, February 2006, and March 2007 private placement agreements, with the ratio of debt to EBITDA, as defined by the agreements, equal to 1.8 to 1.0. As of April 30, 2014, the Company was in compliance with the financial covenant of the May 2010 private placement agreement, with the ratio of debt to EBITDA, as defined by the agreement, equal to 1.8 to 1.0. Additionally, the Company’s February 2012 revolving loan agreement requires the Company to maintain a ratio of debt to trailing twelve month EBITDA, as defined by the debt agreement, of not more than a 3.25 to 1.0 ratio. The revolving loan agreement requires the Company’s trailing twelve months EBITDA to interest expense of not less than a 3.0 to 1.0 ratio (interest expense coverage). As of April 30, 2014, the Company was in compliance with the financial covenants of the revolving loan agreement with the ratio of debt to EBITDA, as defined by the agreement, equal to 1.8 to 1.0 and the interest expense coverage ratio equal to 11.5 to 1.0.

Total debt as a percentage of total debt plus stockholders' investment was 25.7% at April 30, 2014 and 27.4% at July 31, 2013. The decrease in the ratio was due to a decrease in total debt of $13.7 million as the Company made a principal payment on its long-term borrowings of $42.5 million, which was partially offset by net borrowing on the revolving loan agreement of $24 million. In addition, there was an increase in the Company’s stockholders’ investment of $33.2 million as a result of current year earnings partially offset by treasury stock repurchases.

The Company's cash balances are generated and held in numerous locations throughout the world. At April 30, 2014, 90.4% of the Company's cash and cash equivalents were held outside the United States. The Company's growth has historically been funded by a combination of cash provided by operating activities and debt financing. The Company believes that its cash flow from operating activities, in addition to its borrowing capacity, are sufficient to fund its anticipated requirements for working capital, capital expenditures, restructuring activities, acquisitions, common stock repurchases, scheduled debt repayments, and dividend payments. The Company believes that its current credit arrangements are sound and that the strength of its balance sheet will allow financial flexibility to respond to both internal growth opportunities and those available through acquisition.

Subsequent Events

On May 21, 2014, the Board of Directors declared a quarterly cash dividend to shareholders of the Company’s Class A and Class B Common Stock of $0.195 per share payable on July 31, 2014, to shareholders of record at the close of business on July 10, 2014.

On May 1, 2014, the Company closed the first phase of the sale of the Die-Cut business to LTI Flexible Products, Inc. (d/b/a Boyd Corporation) for cash proceeds of approximately $53 million. This phase included the die-cut businesses in Korea, Thailand and Malaysia, and the Balkhausen business in Europe. The remainder of the Die-Cut business is located in China and its divestiture is expected to close in the fourth quarter ended July 31, 2014.

Off-Balance Sheet Arrangements

The Company does not have material off-balance sheet arrangements. The Company is not aware of factors that are reasonably likely to adversely affect liquidity trends, other than the risk factors described in this and other Company filings. However, the following additional information is provided to assist those reviewing the Company’s financial statements.

Operating Leases - The leases generally are entered into for investments in facilities such as manufacturing facilities, warehouses and office space, computer equipment and Company vehicles.

Purchase Commitments - The Company has purchase commitments for materials, supplies, services, and property, plant and equipment as part of the ordinary conduct of its business. In the aggregate, such commitments are not in excess of current market prices and are not material to the financial position of the Company. Due to the proprietary nature of many of the Company’s materials and processes, certain supply contracts contain penalty provisions for early termination. The Company does not believe a material amount of penalties will be incurred under these contracts based upon historical experience and current expectations.

Other Contractual Obligations - The Company does not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity.

Forward-Looking Statements

In this quarterly report on Form 10-Q, statements that are not reported financial results or other historic information may be “forward-looking statements.” These forward-looking statements relate to, among other things, the Company's future financial position, business strategy, targets, projected sales, costs, earnings, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations.

The use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “project” or “plan” or similar terminology are generally intended to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions, and other factors, some of which are beyond Brady's control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For Brady, uncertainties arise from:

- Implementation of the Workplace Safety strategy;
- The length or severity of the current worldwide economic downturn or timing or strength of a subsequent recovery;

- Future financial performance of major markets Brady serves, which include, without limitation, telecommunications, hard disk drive, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, healthcare and transportation;
- Future competition;
- Changes in the supply of, or price for, parts and components;
- Increased price pressure from suppliers and customers;
- Brady's ability to retain significant contracts and customers;
- Fluctuations in currency rates versus the U.S. dollar;
- Risks associated with international operations;
- Difficulties associated with exports;
- Risks associated with obtaining governmental approvals and maintaining regulatory compliance;
- Brady's ability to develop and successfully market new products;
- Risks associated with identifying, completing, and integrating acquisitions;
- Risks associated with divestitures and businesses held for sale;
- Risks associated with restructuring plans;
- Environmental, health and safety compliance costs and liabilities;
- Risk associated with loss of key talent;
- Risk associated with product liability claims;
- Technology changes and potential security violations to the Company's information technology systems;
- Brady's ability to maintain compliance with its debt covenants;
- Increase in our level of debt;
- Potential write-offs of Brady's substantial intangible assets;
- Unforeseen tax consequences;
- Risks associated with our ownership structure; and
- Numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive, and regulatory nature contained from time to time in Brady's U.S. Securities and Exchange Commission filings, including, but not limited to, those factors listed in the "Risk Factors" section within Item 1A of Part I of the Form 10-K.

These uncertainties may cause Brady's actual future results to be materially different than those expressed in its forward-looking statements. Brady does not undertake to update its forward-looking statements except as required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to the Company’s annual report on Form 10-K for the year ended July 31, 2013. There has been no material change in this information since July 31, 2013.

ITEM 4. CONTROLS AND PROCEDURES

Brady Corporation maintains a set of disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports filed by the Company under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports the Company files under the Exchange Act is accumulated and communicated to the Company’s management, including the Company’s principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of its management, including its Interim President and Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, the Company’s Interim President & Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective as of the end of the period covered by this report.

There were no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended April 30, 2014, the Company purchased 892,814 shares of its Class A Nonvoting Common Stock under its share repurchase plan for $23.3 million. As of April 30, 2014, there remained 1,253,959 shares to purchase in connection with this plan.

The following table provides information with respect to the purchase of Class A Nonvoting Common Stock during the three months ended April 30, 2014:

Period	**Total Number of Shares Purchased**	**Average Price paid per share**	**Total Number of Shares Purchased As Part of Publicly Announced Plans**	**Maximum Number of Shares That May Yet Be Purchased Under the Plans**
February 1, 2014 - February 28, 2014	184,726	$ 26.27	184,726	1,962,047
March 1, 2014 - March 31, 2014	422,357	26.50	422,357	1,539,690
April 1, 2014 - April 30, 2014	285,731	25.60	285,731	1,253,959
Total	892,814	$ 26.14	892,814	1,253,959

ITEM 6. EXHIBITS

(a) Exhibits

10.1 Severance and Release Agreement, dated as of February 20, 2014, entered into with Scott Hoffman

10.2 Directors' Deferred Compensation Plan, as amended and restated *(reflects immaterial changes finalized in May 2014)*

31.1 Rule 13a-14(a)/15d-14(a) Certification of Thomas J. Felmer

32.1 Section 1350 Certification of Thomas J. Felmer

101 Interactive Data File

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIGNATURES

BRADY CORPORATION

Date: June 4, 2014

/s/ THOMAS J. FELMER

Thomas J. Felmer

Interim President & Chief Executive Officer and Chief Financial Officer

(Principal Executive Officer and Principal Financial Officer)

EXHIBIT 10.1

SEVERANCE AND RELEASE AGREEMENT

Scott Hoffman ("Mr. Hoffman") and Brady Corporation (the "Company") hereby enter into this Severance and Release Agreement ("Agreement") which is effective as of February 20, 2014 ("Effective Date") to resolve all matters relating to Mr. Hoffman's employment with and separation from the Company. Mr. Hoffman and the Company hereby agree as follows:

1. Employment

Mr. Hoffman's employment as Vice President of Brady Corporation and President-Workplace Safety of the Company terminated effective February 20, 2014(CDT). By entry into this Agreement, Mr. Hoffman hereby provides notice to the Company of his resignation from all other officer and director positions of all Company entities.

From the Effective Date to September 30, 2014 (the "Termination Date"), Mr. Hoffman will remain an employee of the Company and receive his current base salary and fringe benefits. During that time, Mr. Hoffman agrees to be available to consult with respect to transition issues as requested by the Company, and to not render services or work for another entity or person. Mr. Hoffman's employment with the Company will terminate at 11:59 p.m. on the Termination Date. The Termination Date shall be deemed to be the "Qualifying Event" for insurance continuation and benefit plan purposes under state and federal law. Notwithstanding the foregoing, February 20, 2014 will be Mr. Hoffman's "Separation from Service" date for purposes of the Brady Corporation Restoration Plan and the Brady Corporation Deferred Compensation Plan due to the fact that his level of services to the Company after such date will permanently decrease to no more than 20% of his average level of services over the immediately preceding 36-month period.

2. Retirement Plan; Equity Agreements

All of Mr. Hoffman's balances, including Company stock, within any Company plan will be paid out in accordance with the provisions of each plan and Mr. Hoffman's valid elections under such plans. In addition, Mr. Hoffman shall have all of his preexisting rights with respect to stock options and restricted stock in accordance with the equity plans and granting agreements governing such equity. Following the Effective Date, Mr. Hoffman will be provided with a summary of outstanding grants and post-termination exercise periods under those equity agreements.

3. Severance Pay

In addition to the foregoing, and assuming Mr. Hoffman accepts and does not revoke this Agreement, Mr. Hoffman will be provided a severance payment totaling eight (8) months of salary ("Severance Sum"), which is $200,000, less required withholdings, payable over the eight (8) months following the Termination Date in accordance with the Company's normal payroll practices, with the first such payment to be made on the first pay date occurring after the Termination Date Each severance installment payable under this Section 3 shall constitute a separate "payment" within the meaning of Treasury Regulation Section 1.409A-2(b)(2). Mr. Hoffman will also be provided the following:

(a) The option of electing healthcare COBRA coverage benefits in accordance with the healthcare plans and applicable law., with the first six (6) months of COBRA coverage after the Termination Date at active employee rates and the remaining period of COBRA coverage at regular COBRA rates;

(b) Twelve months of outplacement services not to exceed $20,000.00, which Mr. Hoffman may elect to utilize at one or more outplacement firms, provided, however, the maximum sum to be paid by the Company for outplacement services is $20,000, and provided further, that the Company pre-approves the outplacement firms selected by Mr. Hoffman prior to Mr. Hoffman receiving such services;

(c) The option to purchase his Company vehicle at the Termination Date for 80% of its assessed value;

(d) The payment of legal expenses not to exceed $10,000.00 incurred by Mr. Hoffman in connection with the review and delivery of this Agreement;

(e)The option to retain his Company computer/cell phone/iPad fully wiped of all Company-related data and information;

(f) Payment of four (4) weeks of unused vacation; and

(g) A letter of recommendation on Mr. Hoffman's behalf to be delivered to him on or before March 31, 2014.

4. Adequate Consideration

Mr. Hoffman acknowledges that no amounts are due and owing Mr. Hoffman other than vested benefits to which he is otherwise entitled ("vested benefits"), and that the foregoing benefits are adequate consideration for Mr. Hoffman's commitments in this Agreement. The parties agree that the foregoing constitute all of the payments and benefits to be provided to Mr. Hoffman under this Agreement, and that they are in full settlement of all payments and benefits, including but not limited to, claims for wages, vacation pay, sick pay, bonuses, commissions, relocation costs, severance payments, stock options, or any other compensation.

5. Release Of All Claims

In consideration of the payments and benefits described above, and to the fullest extent allowed by law, Mr. Hoffman, for himself, his spouse, heirs, successors and assigns, hereby releases and forever discharges the Company, its owners, parents, successors, affiliates, directors, officers, employees and all other representatives, from any and all charges, claims, suits and expenses (including attorneys' fees and costs), whether known or unknown, including, but not limited to, claims of age or other discrimination, breach of contract, wrongful discharge, constructive discharge, claims under the Wisconsin Fair Employment Act, § 111.31, et. seq. Wis . Stats.; Title VII of The Civil Rights Act of 1964, as amended, 42 U.S.C. § 2000e, et. seq.; the Age Discrimination in Employment Act, 29 U.S.C. § 621 et. seq.; and the common law of Wisconsin. This release includes any and all matters in connection with or relating in any way to Mr. Hoffman's employment with the Company and his departure from the Company, provided, however, that nothing herein shall release, diminish, or otherwise affect Mr. Hoffman's vested benefits. Notwithstanding the foregoing, this release excludes any claims: (a) arising after the execution of this Agreement; (b) to enforce the terms of this Agreement; or (c) for rights to indemnification Mr. Hoffman may have pursuant to the Company's Bylaws, Articles of Incorporation or applicable laws.

6. Non-Admission

Mr. Hoffman and the Company agree that this Agreement shall not constitute an admission by the Company that it has acted wrongfully with respect to Mr. Hoffman or that it has discriminated against him or against any other individual.

7. Confidential Agreement

Except as permitted below, Mr. Hoffman hereby agrees to keep the terms of this Agreement confidential, and he agrees that he shall neither directly nor indirectly disclose the terms of this Agreement to any other person or entity except to his attorneys, tax preparers or financial advisors, and immediate family members, but only on the condition that they agree to abide by the terms of this confidentiality clause, unless compelled by law or until such time as it has been publicly disclosed by the Company.

8. Non-Disparagement

Mr. Hoffman agrees that at no time will he make disparaging remarks about the Company, its officers, directors, or employees, its products or practices including, but not limited to, its personnel practices.

9. <u>Confidentiality, Non-Solicitation and Non-Compete</u>

Mr. Hoffman and the Company specifically agree that the payments under paragraph 3 above shall be deemed to fully satisfy any obligation the Company may have to provide salary payments to Mr. Hoffman under any Confidential Information or Non-Compete Agreement he may have signed. All Confidentiality, Non-Solicitation and Non-Compete restrictions and responsibilities to which Mr. Hoffman will be subject after execution of this Agreement are set forth in this Paragraph 9. In addition, and as further consideration for this Agreement, Mr. Hoffman agrees to, understands and acknowledges the following:

(a) During Mr. Hoffman's employment with the Company, he was provided with Confidential Information relating to the Company, its business and clients, the disclosure or misuse of which would cause severe and irreparable harm to the Company. Mr. Hoffman agrees that all Confidential Information is and shall remain the sole and absolute property of the Company. Upon the Termination Date, Mr. Hoffman shall immediately return to the Company all documents and materials that contain or constitute Confidential Information, in any form whatsoever, including but not limited to, all copies, abstracts, electronic versions, and summaries thereof. Mr. Hoffman further agrees that, without the written approval of the Board of Directors of the Company, he will not disclose, use, copy or duplicate, or otherwise permit the use, disclosure, copying or duplication of any Confidential Information of the Company. Mr. Hoffman agrees to take all reasonable steps and precautions to prevent any unauthorized disclosure, use, copying or duplication of Confidential Information. For purposes of this Agreement, Confidential Information means any and all financial, technical, commercial or other information concerning the business and affairs of the Company that is confidential and proprietary to the Company, including without limitation,

(i) information relating to the Company's past and existing customers and vendors and development of prospective customers and vendors, including specific customer product requirements, pricing arrangements, payments terms, customer lists and other similar information;

(ii) inventions, designs, methods, discoveries, works of authorship, creations, improvements or ideas developed or otherwise produced, acquired or used by the Company;

(iii) the Company's proprietary programs, processes or software, consisting of but not limited to, computer programs in source or object code and all related documentation and training materials, including all upgrades, updates, improvements, derivatives and modifications thereof and including programs and documentation in incomplete stages of design or research and development;

(iv) the subject matter of the Company's patents, design patents, copyrights, trade secrets, trademarks, service marks, trade names, trade dress, manuals, operating instructions, training materials, and other industrial property, including such information in incomplete stages of design or research and development; and

(v) other confidential and proprietary information or documents relating to the Company's products, business and marketing plans and techniques, strategic plans, sales and distribution networks and any other information or documents which the Company protects as being confidential.

(b) Mr. Hoffman further agrees that, without the written approval of the Board of Directors of the Company, he shall not engage in any of the conduct described in subsection (i) below, either directly or indirectly, or as an employee, contractor, consultant, partner, officer, director or stockholder, other than a stockholder of less than 5% of the equities of a publicly traded corporation, or in any other capacity for any person, firm, partnership or corporation:

(i) For a period of twelve (12) months following the Termination Date, Mr. Hoffman will not:

(A) perform duties as or for a Competitor; or

(B) participate in the inducement of or otherwise encourage Company employees, clients, or vendors to currently and/or prospectively breach, modify, or terminate any agreement or relationship they have or had with Company during any part of the twenty-four (24) month period preceding the Termination Date.

For purposes of this Agreement, a Competitor shall mean Panduit, TE Connectivity, 3M, Identco, Masterlock, Zebra, Schreiner, Hellerman Tyton, Worldmark, Xpressmyself.com and Accuform, and any corporation, person, firm or organization (or division or part thereof) engaged in or about to become engaged in research and development work on, or the production and/or sale of high performance or industrial labeling, wire marking and/or safety identification products.

(c) Mr. Hoffman acknowledges and agrees that compliance with this paragraph 9 is necessary to protect the Company, and that a breach of any portion of this paragraph 9 will result in irreparable and continuing damage to the Company for which there will be no adequate remedy at law. In the event of a breach of this paragraph 9, or any part thereof, the Company, and its successors and assigns, shall be entitled to injunctive relief and to such other and further relief as is proper under the circumstances. The Company shall institute and prosecute proceedings in any Court of competent jurisdiction either in law or in equity to obtain damages for any such breach of this paragraph 9, or to enjoin Mr. Hoffman from performing services in breach of paragraph 9(b) during the term of employment and for a period of twelve (12) months following the Termination Date. Mr. Hoffman hereby agrees to submit to the jurisdiction of any Court of competent jurisdiction in any disputes that arise under this Agreement.

(d) Mr. Hoffman further agrees that, in the event of a breach of this paragraph 9, the Company shall also be entitled to recover the value of any amounts previously paid or payable under this Agreement.

(e) **MR. HOFFMAN HAS READ THIS PARAGRAPH 9 AND AGREES THAT THE CONSIDERATION PROVIDED BY THE COMPANY IS FAIR AND REASONABLE AND FURTHER AGREES THAT GIVEN THE IMPORTANCE TO THE COMPANY OF ITS CONFIDENTIAL AND PROPRIETARY INFORMATION, THE FOREGOING RESTRICTIONS ON HIS ACTIVITIES ARE LIKEWISE FAIR AND REASONABLE**.

10. Assignment

If Mr. Hoffman should die while any amounts are still payable to him pursuant to this Agreement, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Mr. Hoffman's devisee, legatee, or other designee, or if there be no such designee, to his estate.

11. Section 409A

The intent of the parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively, "Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If Mr. Hoffman or the Company believes, at any time, that any payment pursuant to this Agreement is subject to taxation under Section 409A of the Code, then (i) it shall advise the other and (ii) to the extent such correction is possible to avoid taxation under Section 409A without any material diminution in the value of the payments or benefits to Mr. Hoffman, the Company and Mr. Hoffman shall reasonably cooperate in good faith to take such steps as necessary, including amending (and, as required, consenting to the amendment of) the terms of any plan or program under which such payments are to be made, in the least restrictive manner necessary in order to comply with the provisions of Section 409A and the Section 409A Regulations in order to avoid taxation under Section 409A.

Notwithstanding anything contained herein to the contrary, if at Mr. Hoffman's separation from service, (a) he is a specified employee as defined in Section 409A and (b) any of the payments or benefits provided hereunder constitute deferred compensation under Section 409A, then, and only to the extent required by such provisions, the date of payment of such payments or benefits otherwise provided shall be delayed for a period of six months following the separation from service.

12. Entire Agreement

This Severance and Release Agreement sets forth the entire agreement between the parties and fully supersedes any and all prior agreements or understandings between Mr. Hoffman and the Company. Mr. Hoffman acknowledges that he is hereby advised to seek legal counsel before signing this Agreement, that he has twenty-one (21) days to consider this Agreement, that upon his acceptance he has seven (7) days to revoke his acceptance, and that this Agreement will not become effective until that seven (7) day period has expired. Mr. Hoffman agrees that he has read, understands and voluntarily accepts its terms.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date above listed.

March, 25, 2014	/s/ SCOTT HOFFMAN
Date	Scott Hoffman
	Brady Corporation
April 1, 2014	By: /s/ THOMAS J. FELMER
Date	Its Authorized Representative

EXHIBIT 10.2

BRADY CORPORATION

DIRECTORS' DEFERRED COMPENSATION PLAN

AS AMENDED AND RESTATED EFFECTIVE May 21, 2014

ARTICLE I

INTRODUCTION

1.1 For periods prior to calendar year 2005, Brady Corporation has maintained the Brady Corporation Directors' Deferred Compensation Plan by means of a series of individual deferred compensation agreements with covered directors. This amended and restated document shall apply to those prior agreements with respect to both investment and distribution of amounts deferred before 2005 and after 2004 and with respect to rules for making deferrals after 2004. This document is intended to comply with the provisions of Section 409A of the Internal Revenue Code and shall be interpreted accordingly. If any provision or term of this document would be prohibited by or inconsistent with the requirements of Section 409A of the Code, then such provision or term shall be deemed to be reformed to comply with Section 409A of the Code. This Plan is amended and restated, effective as of May 21, 2014, to revise and clarify certain Plan terms related to the transfer of amounts between investment funds.

ARTICLE II

DEFINITIONS

The following definitions shall be applicable throughout the Plan:

2.1 "<u>Account</u>" means the account credited from time to time with bookkeeping amounts equal to the portions of a Participant's compensation deferred pursuant to Section 3.1 and earnings credited on such amounts in accordance with Article IV.

2.2 "<u>Administrator</u>" means the Board of Directors of Brady Corporation.

2.3 "<u>Beneficiary</u>" means the person, persons, or entity designated by the Participant to receive any benefits payable under the Plan on or after the Participant's death. Each Participant shall be permitted to name, change or revoke the Participant's designation of a Beneficiary in writing on a form and in the manner prescribed by the Corporation; provided, however, that the designation on file with the Corporation at the time of the Participant's death shall be controlling. Should a Participant fail to make a valid Beneficiary designation or leave no named Beneficiary surviving, any benefits due shall be paid to such Participant's spouse, if living; or if not living, then any benefits due shall be paid to such Participant's estate. A Participant may designate a primary beneficiary and a contingent beneficiary; provided, however, that the Corporation may reject any such instrument tendered for filing if it contains successive beneficiaries or contingencies unacceptable to it. If all Beneficiaries who survive Participant shall die before receiving the full amounts payable hereunder, then the payments shall be paid to the estate of the Beneficiary last to die.

2.4 "<u>Code</u>" means the Internal Revenue Code of 1986, including any subsequent amendments.

2.5 "<u>Corporation</u>" means Brady Corporation.

2.6 "<u>Distribution Date</u>" means the October 1 following the Payment Event. For distribution elections prior to February 17, 2011, the Distribution Date was the quarterly date specified by the Participant upon which distribution would be made or commenced following the Participant's Separation from Service or the In-Service Payment Event Date, as the case may be. All distribution elections in effect on February 17, 2011 shall remain in effect unless the Participant consents to a Distribution Date that is the October 1 following the Participant's Payment Event; provided that no change in Distribution Date may change the calendar year of the distribution. If the distribution is payable other than in a single installment, subsequent installments shall be paid on anniversaries of the Distribution Date.

2.7 “Effective Date” means May 21, 2014. This document describes how this Plan has been administered for periods after 2004 and prior to May 21, 2014 and how it shall be administered for periods on and after May 21, 2014.

2.8 “In-Service Payment Event Date” means the date, if any, specified by the Participant as the reference date following which distribution of his Account shall begin. An In-Service Payment Event Date may be no earlier than January 1, 2007. For distribution elections following February 17, 2011, a Participant may not elect an In-Service Payment Event Date.

2.9 “Participant” means a director of Brady Corporation currently eligible to make deferrals (an “Active Participant”) and any former director who previously participated in the Plan and is entitled to benefits.

2.10 “Payment Event” means the date of a Participant’s Separation From Service. For distribution elections prior to February 17, 2011, a Participant could elect a Payment event that was the earlier of the date of a Participant's Separation From Service or the date the Participant specified as his In-Service Payment Event Date.

2.11 “Plan” means the Brady Corporation Directors’ Deferred Compensation Plan, as set forth herein and as it may be amended from time to time.

2.12 “Plan Year” means the calendar year.

2.13 “Separation from Service” means expiration or termination of the arrangement with the Corporation pursuant to which the Participant performed services as a director of the Corporation if such expiration or termination constitutes a good faith and complete termination of the relationship and all other independent contractor relationships the Participant has with the Corporation. A good faith and complete termination of a relationship shall not be deemed to have occurred if the Corporation anticipates a renewal of a contractual relationship or anticipates that the Participant shall become an employee of the Corporation. For this purpose, the Corporation is considered to anticipate the renewal of a contractual relationship with the Participant if it intends to contract again for the services provided under the expired arrangement, and neither the Corporation nor the Participant has eliminated the Participant as a possible provider of services under any such new arrangement. Further, the Corporation is considered to intend to contract again for the services provided under an expired arrangement if the Corporation’s doing so is conditioned only upon incurring a need for the services, the availability of funds or both. The foregoing requirements are deemed satisfied if no amount will be paid to the Participant before a date at least 12 months after the day on which the arrangement expires pursuant to which the Participant performed services for the Corporation (or, in the case of more than one arrangement, all such arrangements expire) and no amount payable to the Participant on that date will be paid to the Participant if, after the expiration of the arrangement (or arrangements) and before that date, the Participant performs services for the Corporation as a director or other independent contractor or an employee). If a Participant provides services both as an employee of the Corporation and as a member of the board of directors of the Corporation, the services provided as an employee are not taken into account in determining whether the Participant has a Separation from Service as a director for purposes of this Plan because this Plan is not aggregated with any plan in which the Participant participates as an employee pursuant to IRS Regulation Section 1.409A-1(c)(2)(ii).

2.14 “Unforeseeable Emergency” means a severe financial hardship to a Participant resulting from an illness or accident of the Participant or the Participant’s spouse or dependent (as defined in Section 152(a) of the Code), loss of the Participant’s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, as a result of a natural disaster), or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, the imminent foreclosure of or eviction from the Participant’s primary residence may constitute an Unforeseeable Emergency. In addition, the need to pay for medical expenses, including non-refundable deductibles, as well as for the costs of prescription drug medication, may constitute an Unforeseeable Emergency. Finally, the need to pay for funeral expenses of a spouse or a dependent (as defined in Code section 152(a)) may also constitute an Unforeseeable Emergency. Except as otherwise provided above, the purchase of a home and the payment of college tuition are not Unforeseeable Emergencies. Whether a Participant is faced with an Unforeseeable Emergency is to be determined based on the relevant facts and circumstances of each case.

ARTICLE III

DEFERRALS

3.1 Deferral Elections. An Active Participant may elect to defer a specified percentage of his fees for services performed as a director of the Corporation during a Plan Year by completing and filing such forms as required by the Corporation prior to the first day of the Plan Year. The Corporation may permit a Participant to make one deferral election with respect to compensation payable in cash and a separate deferral election with respect to compensation payable in the form of Brady Corporation common stock. A Participant’s deferrals shall be taken at a uniform percentage rate from each of the payments made to him by the Corporation during the Plan Year. Compensation deferred shall be retained by the Corporation, credited to the Participant’s Account pursuant to Section 4.1 and paid in accordance with the terms and conditions of the Plan. A director who is not already eligible to participate in any other deferred compensation plan of the account balance type sponsored by the Corporation who becomes an Active Participant for the first time during a Plan Year (i.e., first becomes a director) may within 30 days after the effective date of participation make an election to defer a specified percentage of compensation to be paid to him for services to be performed subsequent to the deferral election.

3.2 Continued Effect of Elections. An Active Participant’s deferral election with respect to a Plan Year under Section 3.1 shall be irrevocable after the last date upon which it may be filed pursuant to Section 3.1 and shall continue in effect each subsequent Plan Year until prospectively revoked or amended in writing. For a revocation or amendment to be effective with respect to payments during a Plan Year, it must be filed by the last date for which an effective deferral election is permitted to be filed with respect to those payments under Section 3.1.

3.3 Prior Deferral Elections. Any deferral election made prior to calendar year 2005 under an individual agreement shall be treated as a deferral election described in Section 3.1 and shall continue in effect until modified as described in Section 3.2 above unless modified earlier pursuant to Section 8.12(a) below.

3.4 Unforeseeable Emergency. In the event that a Participant makes application for a hardship distribution under Section 6.3 and the Administrator determines that an Unforeseeable Emergency exists, all deferral elections otherwise in effect under this Article III and any other nonqualified deferred compensation plan of the account balance type sponsored by the Corporation shall immediately terminate upon such determination. To resume deferrals thereafter, a Participant must make an election satisfying the provisions of Section 3.1, as the case may be, as those provisions apply to someone who is already an Active Participant in the Plan.

ARTICLE IV

ACCOUNTS

4.1 Credits to Account. Bookkeeping amounts equal to the amounts deferred by a Participant pursuant to Section 3.1 shall be credited to such Participant’s Deferral Account as soon as practicable after the deferred compensation would otherwise have been paid to such Participant in the absence of deferral.

4.2 Valuation of Account.

(a) The Participant’s Account shall be credited or charged with deemed earnings or losses as if it were invested in accordance with paragraph (b) below.

(b)

(i) The investment funds available hereunder for the deemed investment of the Account shall be the Brady Stock Fund and such other funds as the Administrator shall from time to time determine. However, in no event shall the Corporation be required to make any such investment in the Brady Stock Fund or any other investment fund and, to the extent such investments are made, such investments shall remain an asset of the Corporation subject to the claims of its general creditors.

(ii) On the date credited to the Participant’s Account, deferrals shall be deemed to be invested in one or more of the investment funds designated by the Participant for such deemed investment, subject to the following rules for investments in the Brady Stock Fund: (A) deferrals of compensation payable in the form of Brady Corporation common stock shall automatically be credited to the Brady Stock Fund on the date that the stock would otherwise be issued to the Participant and (B) deferrals of cash compensation designated for investment in the Brady Stock Fund shall initially be credited to the General Investment Sub-account and transferred to the Brady Stock Sub-account on a quarterly basis. Once made, the Participant’s investment designation shall continue in effect for all future deferrals until changed by the Participant. Any such change may be prospectively elected by the Participant at the times established by the Administrator, which shall be no less frequently than quarterly, and shall be effective only for deferrals, credited from and after its effective date. Until such time as the Administrator takes action to the contrary, such changes may be elected at the same times as changes may be elected with respect to the Brady Matched 401(k) Plan.

(iii) The portion of a Participant’s Account invested in the Brady Stock Fund shall be called the Brady Stock Sub-account. The remaining portion of the Participant’s Account shall be referred to as the General Investment Sub-account.

(iv) A Participant’s balance in the Brady Stock Fund shall be determined as though the Participant’s deferrals allocated to that Fund are invested in shares of Class A non-voting common stock of Brady Corporation by purchase at the fair market value price of such stock on the date the deferrals are credited to the Participant’s Brady Stock Fund Sub-account.

(v) The value of the Brady Stock Sub-account on any particular date will be based upon the value of the shares of Class A non-voting common stock of Brady Corporation which the sub-account is deemed to hold on that date. The shares of such stock deemed to be held in such sub-account shall be credited with dividends at the time they are credited with respect to actual shares of Class A non-voting common stock of Brady Corporation and such dividends shall be deemed to be used to purchase additional shares of Class A non-voting common stock of Brady Corporation on the day following the crediting of such dividends at the then fair market value price of such stock. The sub-account shall also be credited from time to time with additional shares of Class A non-voting common stock of Brady Corporation equal in number to the number of shares granted in any stock dividend or split to which the holder of a like number of shares of Class A non-voting common stock would be entitled. All other distributions with respect to shares of Class A non-voting common stock of Brady Corporation shall be similarly applied. In the event of a distribution of preferred stock, such preferred stock shall be valued at its par value (or its voluntary liquidating price, if it does not have a par value).

(vi) The valuation of the funds held in the General Investment Sub-account shall be accomplished in the same manner as though the deemed investment in such funds had actually been made and are valued at their fair market value price on valuation dates hereunder.

(vii) A Participant’s Account shall be valued as of December 31 each year and at such other times established by the Administrator, which shall be no less frequently than quarterly. Until such time as the Administrator takes action to the contrary, such valuation shall be at the same time as valuations made of Brady matched 401(k) plan assets.

(viii) All elections and designations under this section shall be made in accordance with procedures prescribed by the Administrator. The Administrator may prescribe uniform percentages for such elections and designations.

(ix) A Participant may prospectively elect to reallocate his Account balance among the investment funds at the times established by the Administrator, which shall be no less frequently than quarterly. Until such time as the Administrator takes action to the contrary, such changes may be elected at the same times as changes may be elected with respect to the Brady Matched 401(k) Plan. Notwithstanding any other provision of this Plan to the contrary, a Participant may not make (i) any election or transaction in the Brady Stock Fund at a time when the Participant is in possession of any material non-public information or at a time not permitted under the Corporation’s policy on insider trading or (ii) an opposite way election with respect to the Brady Stock Fund within six months of a prior election regarding the Brady Stock Fund.

(x) Notwithstanding subparagraph (ix) above, (a) from May 1, 2006, and prior to May 21, 2014, a Participant could not shift any amounts from his Brady Stock Sub-account to his General Investment Sub-account or vice-versa and (b) from and after May 21, 2014, (i) a Participant may shift amounts from his General Investment Sub-account to his Brady Stock Sub-account and (ii) beginning with the period six months and one day after a Participant's Separation From Service, such Participant may shift amounts from his Brady Stock Sub-account to his General Investment Sub-account. The preceding sentence shall not apply to a Participant who has had a Separation from Service prior to May 1, 2006. A Participant shall, on or after February 16, 2006 and prior to May 1, 2006, be entitled to reallocate up to 50% of the balance of the portion of his Account attributable to pre-2004 deferrals from investments in the Brady Stock Fund to the other investment funds available hereunder; and, thereafter, the portion of such account attributable to pre-2004 deferrals held in the Brady Stock Fund must remain in the Brady Stock Fund but the director may continue to make new investment choices from among available investment funds with respect to remaining portions of that account. The preceding sentence shall not apply to a Participant who has a Separation from Service before reallocation under such sentence has taken place.

(c) The Corporation shall provide annual reports to each Participant showing (a) the value of the Account as of the most recent December 31st, (b) the amount of deferral made by the Participant for the Plan Year ending on such date and (c) the amount of any investment gain or loss and the costs of administration credited or debited to the Participant's Account.

(d) Notwithstanding any other provision of this Agreement that may be interpreted to the contrary, the deemed investments are to be used for measurement purposes only and <u>shall</u> <u>not</u> be considered or construed in any manner as an actual investment of the Participant's Account balance in any such fund. In the event that Brady Corporation or the trustee of any grantor trust which Brady Corporation may choose to establish to finance some or all of its obligations hereunder, in its own discretion, decides to invest funds in any or all of the funds, the Participant shall have no rights in or to such investments themselves. Without limiting the foregoing, the Participant's Account balance shall at all times be a bookkeeping entry only and shall not represent any investment made on the Participant's behalf by the Corporation or any trust; the Participant shall at all times remain an unsecured creditor of the Corporation.

ARTICLE V

VESTING

5.1 <u>Full Vesting</u>. A Participant shall be fully vested and nonforfeitable at all times in his or her Account hereunder.

ARTICLE VI

MANNER AND TIMING OF DISTRIBUTION

6.1 <u>Payment of Benefits</u>. After a Participant's Payment Event the Participant's Account shall be paid to the Participant (or in the event of the Participant's death, to the Participant's Beneficiary). Payment shall be made in a Single Sum or Installments as specified in the Participant's payment election pursuant to Section 6.2:

(i) <u>Single Sum</u>. A single sum distribution of the value of the balance of the Account on the Distribution Date following the Participant's Payment Event. If the Participant receives a single sum distribution before Separation from Service with the result that additional amounts are subsequently deposited in the Participant's Account, a distribution shall be made on each succeeding Distribution Date of the entire value of the then balance of the Account.

(ii) <u>Installments</u>. The value of the balance of the Account shall be paid in annual installments on the Distribution Date each year with the first of such installments to be paid on the Distribution Date following the Participant's Payment Event. Annual installments shall be paid in one of the alternative methods specified below over the number of years selected by the Participant in the payment election made pursuant to Section 6.2, but not to exceed 10. The earnings (or losses) provided for in Section 4.2 shall continue to accrue on the balance remaining in the Account during the period of installment payments. The alternative methods available are as follows:

(A) Fractional Method. The annual installment shall be calculated by multiplying the most recent July 31 value of the Account by a fraction, the numerator of which is one, and the denominator of which is the remaining number of annual payments due the Participant. By way of example, if the Participant elects a 10 year annual installment method, the first payment shall be one-tenth (1/10) of the Account balance. The following year, the payment shall be one-ninth (1/9) of the Account balance. Further, regardless of the method selected by the Participant, the final installment payment will include 100% of the then remaining Account value.

(B) Percentage or Fixed Dollar Method. The annual installment shall be calculated by multiplying the most recent July 31 value of the Account, in the case of the percentage method, by the percentage selected by the Participant and paying out the resulting amount or, in the case of the fixed dollar method, by paying out the fixed dollar amount selected by the Participant for the number of years selected by the Participant. However, in the event the dollar amount selected is more than the value of the Account in any given year, the entire value of the Account will be distributed. Further, regardless of the method selected by the Participant, the final installment payment will include 100% of the then remaining Account value.

(iii) In Cash or In Stock. Prior to May 1, 2006 all payments shall be made in cash, except that amounts held in the Brady Stock Sub-account attributable to pre-2004 deferrals shall be distributed by means of Class A non-voting common stock of Brady Corporation. From and after May 1, 2006, payments shall be made in cash and/or Class A non-voting common stock of Brady Corporation pursuant to the following:

(A) If distribution is made in a single sum, the value of the portion of the Participant's Account which consists of the General Investment Sub-account shall be paid in cash while the value of the portion of the Account which consists of the Brady Stock Sub-account shall be paid by distributing the number of shares of Class A non-voting stock of Brady Corporation which represent the number of deemed shares held in the Brady Stock Sub-Account, except, however, that any fractional shares shall be valued and distributed in cash.

(B) If distribution is made in installments, a portion of each installment shall be distributed in cash and a portion in Class A non-voting shares of common stock of Brady Corporation. The portion to be distributed in cash shall be that portion of the total installment payment which is the same percentage as derived by dividing the value of the Balance in the General Investment Sub-account by the value of the total Account balance and the portion to be distributed in stock shall be the same percentage as determined by dividing the value of the balance of the Brady Stock Sub-account by the value of the total Account balance. The number of shares of Class A non-voting shares of common stock of Brady Corporation to be distributed shall be the number having the same value as the portion of the installment to be paid in such stock, except, however, that any fractional shares shall be distributed in cash.

6.2 Payment Election. An individual who first becomes a Participant at the beginning of a Plan Year shall, prior to his date of participation, complete a payment election form specifying the form of payment applicable to such Participant's Account under the Plan. An individual who first becomes a Participant other than on the first day of a Plan Year shall, no later than 30 days after the effective date of participation, complete a payment election form specifying the form of payment applicable to such Participant's Account; provided, however, that if such Participant is already a participant in any other nonqualified plan or plans sponsored by the Corporation of the account balance type, the most recent payment election with respect to any one of those plans shall be the form of payment election deemed elected under this Plan regardless of whether the individual elects a different form of payment during that initial 30 day period. A "payment election form" shall mean the form established from time to time by the Administrator which a Participant completes, signs and returns to the Administrator to make an election under the Plan. To the extent authorized by the Administrator, such form may be provided electronically and, in such case, need not be signed by the Participant. A Participant may change the form of payment by completing and filing a new payment election form with the Corporation, and the payment election form on file with the Corporation as of the date of the Participant's Payment Event shall be controlling. Notwithstanding the foregoing, a payment election form changing the Participant's form of payment shall not be effective if the Participant has a Payment Event within twelve months after the date on which the election change is filed with the Corporation. Any change in payment method must have the effect of delaying the commencement of payments to a date which is at least five (5) years after the initially scheduled commencement date of payment previously in effect. Any change in the Distribution Date must have the effect of delaying the commencement of payments to a date which is at least five (5) years after the initially scheduled Distribution Date. For purposes of compliance with Code Section 409A, a series of installment payments is designated as a single payment rather than a right to a series of separate payments; therefore, a Participant who has elected (or is deemed to have elected) any option under Section 6.1(a)(i) or (ii) may substitute any of the other options for the option originally selected as long as the foregoing one-year and five year rules are satisfied. A switch from the percentage method to the fixed dollar method or vice versa and a switch from either of those methods to the fractional method or vice versa is considered a substitution of a new option for the original option for purposes of this rule even if the number of yearly installments is not changed. The five year delay rule does not apply if the revised payment method applies only upon the Participant's death or disability. For this purpose, "disability" means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

6.3 Financial Hardship. A partial or total distribution of the Participant's Account shall be made prior to a Payment Event upon the Participant's request and a demonstration by the Participant of severe financial hardship as a result of an Unforeseeable Emergency. Such distribution shall be made in a single sum as soon as administratively practicable following the Administrator's determination that the foregoing requirements have been met. In any case, a distribution due to Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under Section 3.1 and any other nonqualified deferred compensation plan of the account balance type sponsored by the Corporation. Distributions because of an Unforeseeable Emergency must be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution). Determinations of amounts reasonably necessary to satisfy the emergency need must take into account any additional compensation that is available because of cancellation of a deferral election under Section 3.1 and any other nonqualified deferred compensation plan of the account balance type sponsored by the Corporation upon a payment due to an Unforeseeable Emergency. The payment may be made from any arrangement in which the Participant participates that provides for payment upon an Unforeseeable Emergency, provided that the arrangement under which the payment was made must be designated at the time of payment.

6.4 Delayed Distribution.

(a) A payment otherwise required under this Article VI shall be delayed if the Corporation reasonably anticipates that the making of the payment will violate a term of a loan agreement to which the Corporation is a party, or other similar contract to which the Corporation is a party, and such violation will cause material harm to the Corporation; provided, however, that payments shall be made on the earliest date on which the Corporation reasonably anticipates that the making of the payment will not cause such violation, or such violation will not cause material harm to the Corporation, and provided that the facts and circumstances indicate that the Corporation entered into the loan agreement (including such covenant) or other similar contract for legitimate reasons, and not to avoid the restrictions on deferral elections and subsequent deferral elections under Code Section 409A.

(b) A payment otherwise required under this Article VI shall be delayed if the Corporation reasonably determines that the making of the payment will jeopardize the ability of the Corporation to continue as a going concern; provided, however, that payments shall be made on the earliest date on which the Corporation reasonably determines that the making of the payment will not jeopardize the ability of the Corporation to continue as a going concern.

(c) A payment otherwise required under this Article VI shall be delayed upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

6.5 Inclusion in Income Under Section 409A. Notwithstanding any other provision of this Article VI, in the event this Plan fails to satisfy the requirements of Code Section 409A and regulations thereunder with respect to any Participant, there shall be distributed to such Participant as promptly as possible after the Administrator becomes aware of such fact of noncompliance such portion of the Participant's Account balance hereunder as is included in income as a result of the failure to comply, but no more. Any such distribution shall be taken on a pro rata basis from the Participant's General Investment Sub-account and Brady Stock Sub-account in the manner described in Section 6.1(a)(iv)(B).

6.6 Domestic Relations Order. Notwithstanding any other provision of this Article VI, payments shall be made from an account of a Participant in this Plan to such individual or individuals (other than the Participant) and at such times as are necessary to comply with a domestic relations order (as defined in Code Section 414(p)(1)(B)). Any such distribution shall be taken on a pro rata basis from the Participant's General Investment Sub-account and Brady Stock Sub-account in the manner described in Section 6.1(a)(iv)(B).

6.7 De Minimis Amounts. Notwithstanding any other provision of this Article VI, a Participant's entire Account balance under this Plan and all other nonqualified deferred compensation plans of the account balance type shall automatically be distributed to the Participant on or before the later of December 31 of the calendar year in which occurs the Participant's Separation from Service or the 15th day of the third month following the Participant's Separation from Service if the total amount in such Account balance at the time of distribution, when aggregated with all other amounts payable to the Participant under all arrangements benefiting the Participant described in Section 1.409A-1(c) or any successor thereto, do not exceed the amount described in Code Section 402(g)(1)(B). The foregoing lump sum payment shall be made automatically and any other distribution elections otherwise applicable with respect to the individual in the absence of this provision shall not apply.

ARTICLE VII

ADMINISTRATION

7.1 Administrator. The Plan shall be administered by the Administrator, which shall be the Corporation's Board of Directors. The Administrator shall have all authority that may be appropriate for administering the Plan, including the authority to adopt rules and regulations for the conduct of its affairs and for implementing, amending and carrying out the Plan, interpreting the provisions of the Plan and determining a Participant's entitlement to benefits hereunder. The Administrator shall be entitled to rely upon the Corporation's records as to information pertinent to calculations or determinations made pursuant to the Plan.

The Administrator may also delegate any of its clerical or other administrative duties to one or more officers or employees of the Corporation, who may assist the Administrator in the performance of any of its functions hereunder. In the event of such delegation, a reference to the Administrator shall be deemed to refer to such officer(s) or employee(s).

7.2 Authority of Administrator. The Administrator shall have full and complete discretionary authority to determine eligibility for benefits under the Plan, to construe the terms of the Plan and to decide any matter presented through the claims procedure. Any final determination by the Administrator shall be binding on all parties and afforded the maximum deference allowed by law. If challenged in court, such determination shall not be subject to de novo review and shall not be overturned unless proven to be arbitrary and capricious based upon the evidence considered by the Administrator at the time of such determination.

7.3 Administrator Actions. The Administrator may authorize one or more of its members to execute on its behalf instructions or directions to any interested party, and any such interested party may rely upon the information contained therein. The members may also act at a meeting or by unanimous written consent. A majority of the members shall constitute a quorum for the transaction of business and shall have full power to act hereunder. All decisions shall be made by vote of the majority present at any meeting at which a quorum is present, except for actions in writing without a meeting, which must be unanimous.

7.4 Minor or Incompetent Payees. If a person to whom a benefit is payable is a minor or is otherwise incompetent by reason of a physical or mental disability, the Corporation may cause the payments due to such person to be made to another person for the first person's benefit without any responsibility to see to the application of such payment. Such payments shall operate as a complete discharge of the obligations to such person under the Plan.

7.5 No Liability. Except as otherwise provided by law, neither the Administrator, nor any member thereof, nor any director, officer or employee of the Corporation involved in the administration of the Plan shall be liable for any error of judgment, action or failure to act hereunder or for any good faith exercise of discretion, excepting only liability for gross negligence or willful misconduct. The Corporation shall hold harmless and defend any individual in the employment of the Corporation and any director of the Corporation against any claim, action or liability asserted against him in connection with any action or failure to act regarding the Plan, except as and to the extent that any such liability may be based upon the individual's own gross negligence or willful misconduct. This indemnification shall not duplicate but may supplement any coverage available under any applicable insurance.

7.6 Claims Procedure.

(a) If the Participant or the Participant's Beneficiary (hereinafter referred to as a "Claimant") is denied all or a portion of an expected benefit under the Plan for any reason, he or she may file a claim with the Administrator or its designee. The Administrator or its designee shall notify the Claimant within 60 days of allowance or denial of the claim, unless the Claimant receives written notice prior to the end of the sixty (60) day period stating that special circumstances require an extension of the time for decision and specifying the expected date of decision. The notice of the such decision shall be in writing, sent by mail to the Claimant's last known address, and if a denial of the claim, must contain the following information:

(i) the specific reasons for the denial;

(ii) specific reference to pertinent provisions of the Plan on which the denial is based;

(iii) if applicable, a description of any additional information or material necessary to perfect the claim, an explanation of why such information or material is necessary, and an explanation of the claims review procedure; and

(iv) a description of the Plan's claims review procedure, including a statement of the Claimant's right to bring a civil action under Section 502 of ERISA if the Claimant's claim is denied upon review.

(b) A Claimant is entitled to request a review of any denial of his claim. The request for review must be submitted in writing to the Administrator within 60 days after receipt of the notice of the denial. The timely filing of such a request is necessary to preserve any legal recourse which may be available to the Claimant and, absent the submission of request for review within the 60-day period, the claim will be deemed to be conclusively denied. Upon submission of a written request for review, the Claimant or his representative shall be entitled to review all pertinent documents, and to submit issues and comments in writing for consideration by the Administrator. The Administrator shall fully and fairly review the matter and shall consider all information submitted in the review request, without regard to whether or not such information was submitted or considered in the initial claim determination. The Administrator shall promptly respond to the Claimant, in writing, of its decision within 60 days after receipt of the review request. However, due to special circumstances, if no response has been provided within the first 60 days, and notice of the need for additional time has been furnished within such period, the review and response may be made within the following 60 days. The Administrator's decision shall include specific reasons for the decision, including references to the particular Plan provisions upon which the decision is based, notification that the Claimant can receive or review copies of all documents, records and information relevant to the claim, and information as to the Claimant's right to file suit under Section 502(a) of ERISA.

(c) If a determination of disability for purposes of Section 6.1(b) or 6.2 becomes necessary and if such determination is considered to be with respect to a claim for benefits based on disability for purposes of 29 CFR Section 2560.503-1, then the Administrator shall adopt and administer a special procedure for considering such disability claims meeting the requirements of 29 CFR Section 2560.503-1 for disability benefit claims.

7.7 Conflict of Interest. No person who is covered under the Plan may vote or decide upon any matter relating solely to himself or vote in any case in which his individual right to any benefit under the Plan is particularly involved. Decisions shall be made by remaining members of the Corporation's Board of Directors.

ARTICLE VIII

MISCELLANEOUS

8.1 Amendment or Termination. The Corporation (through its Board of Directors or authorized officers or employees) reserves the right to alter or amend the Plan, or any part thereof, in such manner as it may determine, at any time and for any reason. Further, the Board of Directors of the Corporation reserves the right to terminate the Plan, at any time and for any reason. Notwithstanding the foregoing, in no event shall any amendment or termination deprive any Participant or Beneficiary of any amounts credited to him under this Plan as of the date of such amendment or termination; provided, however, that the Corporation may prospectively change the manner in which earnings are credited or discontinue the crediting of earnings and, further, the Corporation may make any amendment it deems necessary or desirable for purposes of compliance with the requirements of Code Section 409A and regulations thereunder.

If the Plan is amended to freeze benefit accruals, no additional contributions shall be credited to any Participant Account hereunder. Following such a freeze of benefit accruals, Participants' Accounts shall be paid at such time and in such form as provided under Article VI of the Plan. If the Corporation terminates the Plan and if the termination is of the type described in regulations issued by the Internal Revenue Service pursuant to Code Section 409A, then the Corporation shall distribute the then existing Account balances of Participants and beneficiaries in a lump sum within the time period specified in such regulations and, following such distribution, there shall be no further obligation to any Participant or beneficiary under this Plan. However, if the termination is not of the type described in such regulations, then following Plan termination Participants' Accounts shall be paid at such time and in such form as provided under Article VI of the plan.

8.2 Applicable Law. This Plan shall be governed by the laws of the State of Wisconsin, except to the extent preempted by the provisions of ERISA or other applicable federal law.

8.3 Relationship to Other Programs. Participation in the Plan shall not affect a Participant's rights to participate in and receive benefits under any other plans of the Corporation, nor shall it affect the Participant's rights under any other agreement entered into with the Corporation, unless expressly provided otherwise by such plan or agreement. Any amount credited under or paid pursuant to this Plan shall not be treated as any type of compensation or otherwise taken into account in the determination of the Participant's benefits under any other plans of the Corporation, unless expressly provided otherwise by such plan.

8.4 Non-Assignability by Participant. No Participant or Beneficiary shall have any right to commute, sell, assign, pledge, convey, or otherwise transfer any rights or claims to receive benefits hereunder, nor shall such rights or claims be subject to garnishment, attachment, execution or levy of any kind except to the extent otherwise required by law.

8.5 No Right to Continued Service. Neither participation in this Plan, nor the payment of any benefit hereunder, shall be construed as giving to a Participant any right to be retained in the service of the Corporation, or limiting in any way the right of the Corporation to terminate the Participant's service at any time.

8.6 Assignability by Corporation. The Corporation shall have the right to assign all of its right, title and obligation in and under this Plan upon a merger or consolidation in which the Corporation is not the surviving entity or to the purchaser of substantially its entire business or assets or the business or assets pertaining to a major product line, provided such assignee or purchaser assumes and agrees to perform after the effective date of such assignment all of the terms, conditions and provisions imposed by this Plan upon the Corporation. Upon such assignment, all of the rights, as well as all obligations, of the Corporation under this Plan shall thereupon cease and terminate.

8.7 Unsecured Claim; Grantor Trust. The right of a Participant to receive payment hereunder shall be an unsecured claim against the general assets of the Corporation, and no provisions contained herein, nor any action taken hereunder shall be construed to give any individual at any time a security interest in any asset of the Corporation, of any affiliated corporation, or of the stockholders of the Corporation. The liabilities of the Corporation to a Participant hereunder shall be those of a debtor pursuant to such contractual obligations as are created hereunder and to the extent any person acquires a right to receive payment from the Corporation hereunder, such right shall be no greater than the right of any unsecured general creditor of the Corporation. The Corporation may establish a grantor trust (but shall not be required to do so) to which the Corporation may in its discretion contribute (subject to the claims of the general creditors of the Corporation) the amounts credited to the Account. If a grantor trust is so established, payment by the trust of the amounts due the Participant or his Beneficiary hereunder shall be considered a payment by the Corporation for purposes of this Plan.

8.8 Notices or Filings. Any notice or filing required or permitted to be given to the Administrator hereunder shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Corporate Treasurer
Brady Corporation
P.O. Box 571
Milwaukee, WI 53201-0571

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant hereunder shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

8.9 Special rules for 2005-2007. Notwithstanding the usual rules required regarding the deferral elections and distribution elections:

(a) A Participant may on or before March 15, 2005 make a new deferral election to apply to amounts which would otherwise be paid in calendar year 2005; provided that such amounts have not been paid or became payable at the time of the election. Such election shall remain in effect for future years until modified pursuant to Section 3.2.

(b) On or before December 31, 2007, a Participant may elect an In-Service Payment Event Date and/or make an election as to distribution of his Account from among the choices described at Section 6.1 hereof without complying with the rules described in Section 6.2 hereof as long as the effect of the election is not to accelerate payments into 2006 or to defer payments which would otherwise have been made in 2006 and not to accelerate payments into 2007 or to defer payments which would otherwise have been made in 2007. Such election shall become effective after the last day upon which it is permitted to be made or, if earlier, the first day of the calendar year in which payments under the election are scheduled to commence. In order to change any such election after December 31, 2007, the requirements of Section 6.2 hereof must be satisfied. Any individual who has on or before December 31, 2006 elected an In-Service Payment Event Date of January 1, 2007 and a Distribution Date of April 1, may on or before December 31, 2007 elect to change the Distribution Date to be applicable in calendar year 2008 and subsequent years from April 1 to January 1.

IN WITNESS WHEREOF, the Corporation has caused its duly authorized officer to execute this Plan document on its behalf as of the 21st day of May, 2014, to replace any prior version of this Plan previously adopted by the Corporation.

Brady Corporation

By: /s/ HELENA NELLIGAN

Attest: /s/ THOMAS J. FELMER

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Thomas J. Felmer, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Brady Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material act necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 4, 2014

/s/ THOMAS J. FELMER

Interim President & Chief Executive Officer and Chief Financial Officer

(Principal Executive Officer and Principal Financial Officer)

EXHIBIT 32.1

SECTION 1350 CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Brady Corporation (the "Company") certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2014 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: June 4, 2014

/s/ THOMAS J. FELMER

Interim President & Chief Executive Officer and Chief Financial Officer

(Principal Executive Officer and Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.