
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): September 12, 2006

Commission File Number 1-14959

BRADY CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin
(State of Incorporation)

39-0971239
(IRS Employer Identification No.)

6555 West Good Hope Road
Milwaukee, Wisconsin 53223
(Address of Principal Executive Offices and Zip Code)

(414) 358-6600
(Registrant's Telephone Number)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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TABLE OF CONTENTS

[Item 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT](#)

[Item 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION](#)

[Item 5.02 DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS;
APPOINTMENT OF PRINCIPAL OFFICERS](#)

[Item 5.03 AMENDMENTS TO ARTICLES OF INCORPORATION OR BYLAWS; CHANGE IN FISCAL YEAR](#)

[Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS](#)

[SIGNATURE](#)

[EXHIBIT INDEX](#)

[Bylaws](#)

[Directors' Deferred Compensation Plan, as amended](#)

[Press Release](#)

[Table of Contents](#)

Item 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On September 12, 2006, the Board of Directors of Brady Corporation (the “Corporation”) approved an amended Directors’ Deferred Compensation Plan (the “Plan”). The principal changes effected by the amendments were provisions to permit additional flexibility with respect to distributions from the Plan as permitted by regulations adopted under Section 409A of the Internal Revenue Code.

The foregoing description of the amendments to the Plan does not purport to be complete and is qualified in its entirety by reference to the full text of the Plan, a copy of which is filed herewith as Exhibit 10.1 and is incorporated herein by reference.

Item 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On September 13, 2006, the Corporation issued a press release announcing its fiscal 2006 fourth quarter financial results. A copy of the press release is being furnished to the Securities and Exchange Commission as Exhibit 99 attached herewith and incorporated by reference.

Item 5.02 DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS

Philip M. Gresh resigned his position as a Director of the Corporation on September 12, 2006. Mr. Gresh’s resignation was not because of any disagreement with the Corporation or on any matter relating to the Corporation’s operations or policies.

Item 5.03 AMENDMENTS TO ARTICLES OF INCORPORATION OR BYLAWS; CHANGE IN FISCAL YEAR

On September 12, 2006, the Corporation’s Board of Directors approved amendments to the Corporation’s bylaws, including a number of nonsubstantive corrections. Other changes were: (a) in accord with current Wisconsin law, Section 1.02 was amended to provide that the Corporation’s registered office may be changed by an officer of the Corporation, rather than requiring Board of Director approval; (b) Section 2.02 was amended to require that notice of special meetings of shareholders include the purpose or purposes of the special meeting; (c) Section 2.08 was amended to provide that meetings of shareholders will be chaired by the Corporation’s President or a Vice President; (d) Section 3.01 was amended to provide that the number of Directors shall be established by the Board of Directors at between five and 15; (e) Section 3.02 was amended to delete vestigial language relating to the tenure of a specified Director who has since deceased; (f) a new Section 3.05 was created to provide for the possibility of meetings by telephone or other means of communication, as now permitted by Wisconsin law, and the remaining sections of Article III were renumbered accordingly; (g) renumbered Section 3.06 was amended to provide that notices of Board meetings also may be given by email or fax, as permitted by Wisconsin law; (h) renumbered Section 3.09 was amended to provide that Board meetings will be chaired by a Director chosen by the Directors, rather than by a designated officer of the Corporation; (i) renumbered Section 3.13 was amended to provide that committees of the Board include at least one Director, rather than two, and the actions permitted to be taken by Board committees was amended to conform to current Wisconsin law; (j) Sections 7.02 and 7.03 were created to make clear that attendance at a meeting will generally constitute waiver of objection to a lack of notice of the meeting, reflecting current Wisconsin law; and (k) Section 11.03 was created to provide that any action taken or authorized by the shareholders or Board of Directors, which would be inconsistent with the bylaws then in effect, but which is taken or authorized by a vote that would be sufficient to amend the bylaws so that the bylaws would be consistent with such action, will be given the same effect as though the bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

[Table of Contents](#)

The bylaws, as amended, became effective immediately upon approval by the Board of Directors. The foregoing description of the bylaws, as amended, does not purport to be complete and is qualified in its entirety by reference to the full text of the bylaws, a copy of which is filed herewith as Exhibit 3.2 and is incorporated herein by reference.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

The following are filed as Exhibits to this Report.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
3.2	Bylaws of Brady Corporation, as amended.
10.1	Brady Corporation Directors' Deferred Compensation Plan, as amended.
99	Press Release of Brady Corporation, dated September 13, 2006.

SIGNATURE

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 hereunto duly authorized.

BRADY CORPORATION

Date: September 15, 2006

/s/ David Mathieson

David Mathieson

Vice President & Chief Financial Officer

EXHIBIT INDEX

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10.1	Brady Corporation Directors' Deferred Compensation Plan, as amended.
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BY-LAWS
of
BRADY CORPORATION
(formerly W. H. Brady Co.)

As Amended September 12, 2006

ARTICLE I. OFFICES

1.01 Principal and Business Offices. The corporation may have such principal and other business offices either within or without the State of Wisconsin as the Board of Directors, may designate or as the business of the corporation may require from time to time.

1.02 Registered Office. The registered office of the corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin and the address of the registered office may be changed from time to time by any officer or by the registered agent. The business office of the registered agent of the corporation shall be identical to such registered office.

ARTICLE II. SHAREHOLDERS

2.01 Annual Meeting. The annual meeting of the shareholders shall be held on the third Wednesday of November each year at 9:00 a.m., or at such other time and date within 30 days before or after said date as may be fixed by or under the authority of the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Wisconsin, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein, or fixed as herein provided, for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as conveniently may be.

2.02 Special Meeting. Special meetings of the shareholders for any purpose or purposes unless otherwise prescribed by statute, may be called by the Chairman of the Board or the President or the Board of Directors or by the person designated in the written request of the holders of not less than one-tenth of all shares of the corporation entitled to vote at the meeting. The purpose or purposes of any special meeting shall be described in the notice required by Section 2.04 of these By-Laws.

2.03 Place of Meeting. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all shareholders entitled

to vote at a meeting may designate any place, whether within or without the State of Wisconsin, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal business office of the corporation in the State of Wisconsin, but any meeting may be adjourned to reconvene at any place designated by vote or a majority of the shares represented thereat.

2.04 Notice of Meeting. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 days (unless a longer period is required by law or the articles of incorporation) nor more than 50 days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board or the President, the Secretary, or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock record books of the corporation, with postage thereon prepaid.

2.05 Closing of Transfer Books or Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period, but not to exceed 50 days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than 50 days and, in case of a meeting of shareholders, not less than ten days prior to the date on which the particular action, requiring such determination of shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the close of business on the date on which notice of the meeting is mailed or on the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall be applied to any adjournment thereof except where the determination has

been made through the closing of the stock transfer books and the stated period of closing has expired.

2.06 Voting Records. The officer or agent having charge of the stock transfer books for shares of the corporation shall, before each meeting of shareholders, make a complete record of the shareholders entitled to vote at such meeting, or any adjournment thereof, with the address of and the number of shares held by each. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes of the meeting. The original stock transfer books shall be prima facie evidence as to who are the shareholders entitled to examine such record or transfer books or to vote at any meeting of shareholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

2.07 Quorum. Except as otherwise provided in the articles of incorporation, a majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders unless the vote of a greater number or voting by classes is required by the Wisconsin Business Corporation Law or the articles of incorporation. If less than a quorum is represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

2.08 Conduct of Meetings. The President and in his absence a Vice-President in the order provided under Article IV and in their absence any person chosen by the shareholders present, shall call the meeting of the shareholders to order and shall act as chairman of the meeting, and the Secretary shall act as secretary of all meetings of the shareholders, but, in the absence of the secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

2.09 Proxies. At all meetings of shareholders, a shareholder entitled to vote may vote in person or by proxy appointed in writing by the shareholder or by his duly authorized attorney in

fact. Such proxy shall be filed with the Secretary before or at the time of the meeting. Unless otherwise provided in the proxy, a proxy may be revoked at any time before it is voted, either by written notice filed with the Secretary or the acting secretary of the meeting or by oral notice given by the shareholder to the presiding officer during the meeting. The presence of a shareholder who has filed his proxy shall not of itself constitute a revocation. No proxy shall be valid after 11 months from the date of its execution, unless otherwise provided in the proxy. The Board of Directors shall have the power and authority to make rules as to the validity and sufficiency of proxies.

2.10 Voting of Shares. Each outstanding share shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders, except to the extent that the voting rights of the shares of any class or classes are enlarged, limited or denied by the articles of incorporation.

2.11 Voting of Shares by Certain Holders.

(a) *Other Corporations.* Shares standing in the name of another corporation may be voted either in person or by proxy, by the president of such corporation or any other officer appointed by such president. A proxy executed by any principal officer of such other corporation or assistant thereto shall be conclusive evidence of the signer's authority to act, in the absence of express notice to this corporation, given in writing to the Secretary of this corporation, of the designation of some other person by the board of directors or the by-laws of such other corporation.

(b) *Legal Representatives and Fiduciaries.* Shares held by a personal representative, an administrator, executor, guardian, conservator, trustee in bankruptcy, receiver, or assignee for creditors may be voted by him, either in person or by proxy, without a transfer of such shares into his name, provided that there is filed with the Secretary before or at the time of meeting proper evidence of his incumbency and the number of shares held. Shares standing in the name of a fiduciary may be voted by him, either in person or by proxy. A proxy executed by a fiduciary, shall be conclusive evidence of the signer's authority to act, in the absence of express notice, given in writing to the Secretary, that such manner of voting is prohibited or otherwise directed by the document creating the fiduciary relationship.

(c) *Pledgees.* A shareholder whose shares are pledged shall be entitled to vote such shares in person or by proxy until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(d) *Treasury Stock and Subsidiaries.* Neither treasury shares, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of such other corporation is held by this corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares entitled to vote, but shares of its own issue held by this corporation in a fiduciary capacity, or held by such other corporation in a fiduciary capacity, may be voted and shall be counted in determining the total number of outstanding shares entitled to vote.

(e) *Minors.* Shares held by a minor may be voted by such minor in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary of the corporation has received written notice or has actual knowledge that such shareholder is a minor.

(f) *Incompetents and Spendthrifts.* Shares held by incompetent or spendthrift may be voted by such incompetent or spendthrift in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary of the corporation has actual knowledge that such shareholder has been adjudicated an incompetent or spendthrift or actual knowledge of filing of judicial proceedings for appointment of a guardian.

(g) *Joint Tenants.* Shares registered in the names of two or more individuals who are named in the registration as joint tenants may be voted in person or by proxy signed by any one or more of such individuals if either (i) no other such individual or his legal representative is present and claims the right to participate in voting of such shares or prior to the vote files with the Secretary of the corporation a contrary written voting authorization or direction or written denial of authority of the individual present or signing the proxy proposed to be voted or (ii) all such other individuals are deceased and the Secretary of the corporation has no actual knowledge that the survivor has been adjudicated not to be the successor to the interests of those deceased.

ARTICLE III. BOARD OF DIRECTORS

3.01 General Powers and Number. The business and affairs of the corporation shall be managed by its Board of Directors. The number of Directors of the corporation shall be

established from time to time by the Board of Directors, but shall be not less than five or more than 15. The number of directors may be increased or decreased from time to time by amendment to this Section adopted by the shareholders or the Board of Directors, but no decrease shall have the effect of shortening the term of an incumbent director.

3.02 Tenure and Qualifications. Each director shall hold office until the next annual meeting of shareholders and until his successor shall have been elected, or until his prior death, resignation or removal. Any director or the entire Board of Directors may be removed from office, with or without cause, by affirmative vote of a majority of the outstanding shares entitled to vote for the election of such director, taken at a meeting of shareholders called for that purpose. A director may resign at any time by filing his written resignation with the Secretary of the corporation. Directors need not be residents of the State of Wisconsin or shareholders of the corporation. No director shall be eligible to be elected or re-elected a director after he attains age 70. A director in office when he attains age 70 shall be eligible to be elected an advisory director from year to year for a maximum period of three years. Advisory directors shall be entitled to all the rights and privileges of a director, except the right to vote and shall be paid such fees and compensation as shall be fixed by the Board of Directors from time to time.

3.03 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this by-law immediately after the annual meeting of shareholders and each adjourned session thereof. The place of such regular meeting shall be the same as the place of the meeting of shareholders that precedes it or such other suitable place as may be announced at such meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Wisconsin, for the holding of additional regular meetings without other notice than such resolution.

3.04 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the President, or any two directors. The persons calling any special meeting of the Board of Directors may fix any place, either within or without the State of Wisconsin, as the place for holding any special meeting of the Board of Directors called by them, and if no other place is fixed the place of meeting shall be the principal business office of the corporation in the State of Wisconsin.

3.05 Meetings By Telephone or Other Communication Technology.

(a) Any or all directors may participate in a regular or special meeting or in a committee meeting of the Board of Directors by, or conduct the meeting through the use of, telephone or any other means of communication by which either: (i) all participating directors may simultaneously hear each other during the meeting or (ii) all communication during the meeting is immediately transmitted to each participating director, and each participating director is able to immediately send messages to all other participating directors.

(b) If a meeting will be conducted through the use of any means described in paragraph (a), all participating directors shall be informed that a meeting is taking place at which official business may be transacted. A director participating in a meeting by any means described in paragraph (a) is deemed to be present in person at the meeting.

3.06 Notice of Meetings. Notice of each meeting of the Board of Directors (unless otherwise provided in or pursuant to Section 3.03) shall be given by written notice delivered personally or mailed or given by telephone, telegram, or other means of electronic delivery such as facsimile or e-mail to each director at his business or home address or at such other address as such director shall have designated in writing filed with the Secretary, in each case not less than that 48 hours prior thereto. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company; if by telephone, at the time the call is completed; or if by other forms of electronic delivery, at the time the transmission is completed. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting and objects thereat to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

3.07 Quorum. Except as otherwise provided by the Wisconsin Business Corporation Law or by the articles of incorporation or these by-laws, a majority of the number of directors as provided in Section 3.01 shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but a majority of the directors present (though less than such quorum) may adjourn the meeting from time to time without further notice.

3.08 Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by the Wisconsin Business Corporation Law or by the articles of incorporation or these by-laws.

3.09 Conduct of Meetings. Any director chosen by the directors present, shall call meetings of the Board of Directors to order and shall act as chairman of the meeting. The Secretary of the corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the presiding officer may appoint any Assistant Secretary or any director or other person present to act as secretary of the meeting.

3.10 Vacancies. Any vacancy occurring in the Board of Directors, including a vacancy created by an increase in the number of directors, may be filled until the next succeeding annual election by the affirmative vote of a majority of the directors then in office, though less than a quorum of the Board of Directors; provided, that in case of a vacancy created by the removal of a director(s) by vote of the shareholders, the shareholders shall have the right to fill such vacancy at the same meeting or any adjournment thereof.

3.11 Compensation. The Board of Directors, by affirmative vote of a majority of the directors then in office and irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the corporation as directors, officers or otherwise, and the manner and time and payment thereof, or may delegate such authority to an appropriate committee. The Board of Directors also shall have authority to provide for or to delegate authority to an appropriate committee to provide for reasonable pensions, disability or death benefits, and other benefits or payments, to directors, officers and employees and to their estates, families, dependents or beneficiaries on account of prior services rendered by such directors, officers and employees to the corporation.

3.12 Presumption of Assent. A director who is present at a meeting of the Board of Directors or a committee thereof of which he is a member at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the corporation immediately after the

adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

3.13 Committees. The Board of Directors by resolution adopted by the affirmative vote of a majority of the number of directors as provided in Section 3.01 may designate one or more committees, each committee to consist of one or more directors elected by the Board of Directors, which, to the extent provided in said resolution as initially adopted, and as thereafter supplemented or amended by further resolution adopted by a like vote, shall have and may exercise when the Board of Directors is not in session, the powers of the Board of Directors in the management of the business and affairs of the corporation, except that no committee may: (a) approve or recommend for approval to shareholders for approval any action or matter that the Wisconsin Business Corporation Law requires be approved by shareholders; or (b) adopt, amend or repeal By-Laws. A majority of the members of a committee shall constitute a quorum. The Board of Directors may elect one or more of its members as alternate members of any such committee who may take the place of any absent member or members at any meeting of such committee upon request by the President or upon request by the chairman of such meeting. Each such committee shall fix its own rules governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request.

ARTICLE IV. OFFICERS

4.01 Number. The principal officers shall be a President, one or more Vice-Presidents (the number and designations to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. The Board of Directors may also elect a Chief Executive Officer and may designate one of the Vice Presidents as the Executive Vice President. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors or the President. Any two or more offices may be held by the same person.

4.02 Election and Term of Office. The officers to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall have been duly elected or until his prior death, resignation or removal.

4.03 Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights.

4.04 Vacancies. A vacancy in any principal office because of death, resignation, removal, disqualification or otherwise, shall be filled by the Board of Directors for the unexpired portion of the term.

4.05 Chairman of the Board. The Board of Directors may elect one of its members the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the shareholders and directors at which he is present. He shall be ex officio a member of all standing committees and shall be Chairman of such committees as is determined by the Board of Directors. He shall have such other powers and duties as may from time to time be prescribed by the by-laws or by resolution of the Board of Directors.

4.06 President. The President shall be the principal executive officer and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the corporation. He shall, in the absence of the Chairman, preside at all meetings of the shareholders and of the Board of Directors. He shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the corporation as he shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. He shall have authority to sign, execute and acknowledge, on behalf of the corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or the Board of Directors, he may authorize any Vice President or other officer or agent of the corporation to sign, execute and acknowledge such documents or instruments in his place and stead. In general he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

4.07 Executive Vice President. The Executive Vice President, if one be designated, shall assist the President in the discharge of supervisory, managerial and executive duties and

functions. In the absence of the President or in the event of his death, inability or refusal to act, the Executive Vice President shall perform the duties of the President and when so acting shall have all the powers and duties of the President, and shall perform such other duties as from time to time may be assigned to him by the Board of Directors or the President.

4.08 Vice Presidents. In the absence of the President and the Executive Vice President, or in the event of his death, inability or refusal to act, or in the event for any reason it shall be impracticable for them to act personally, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Board of Directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or Assistant Secretary, certificates for shares of the corporation and shall perform such other duties and have such authority as from time to time may be delegated or assigned to him by the President or by the Board of Directors. The execution of any instrument of the corporation by any Vice President shall be conclusive evidence, as to third parties, of his authority to act in the stead of the President.

4.09 Secretary. The Secretary shall: (a) keep the minutes of the meetings of the shareholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (d) keep or arrange for the keeping of a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) sign with the President, or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned to him by the President or by the Board of Directors.

4.10 Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) receive and give receipts for moneys, due and payable to the corporation from any source whatsoever, and deposit all such moneys in the, name

of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Section 5.04; and (c) in general perform, all of the duties incident to the office of Treasurer and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him by the President or by the Board of Directors.

4.11 Assistant Secretaries and Assistant Treasurers. There shall be such number of Assistant Secretaries and Assistant Treasurers as the Board of Directors or President from time to time authorize. The Assistant Secretaries may sign with the President or a Vice President certificates for shares of the corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties and have such authority as shall from time to time be delegated or assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors.

4.12 Other Assistants and Acting Officers. The Board of Directors and the President shall have the power to appoint any person to act as assistant to any officer, or as agent for the corporation in his stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officers or other agent so appointed by the Board of Directors or President shall have the power to perform all the duties of the office to which he is so appointed to be assistant, or as to which he is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors or President.

4.13 Salaries. The salaries of the principal officers shall be fixed from time to time by the Board of Directors or by a duly authorized committee thereof, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the corporation.

ARTICLE V. CONTRACTS, LOANS, CHECKS AND DEPOSITS. SPECIAL CORPORATE ACTS

5.01 Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the corporation, and such authorization may be general or confined to specific instances. No contract or other transaction between the corporation and one or more of its

directors or any other corporation, firm, association, or entity in which one or more of its directors are directors or officers or are financially interested, shall be either void or voidable because of such relationship or interest or because such director or directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction or because his or their votes are counted for such purpose, if 1) the fact of such relationship or interest is disclosed or known to the Board of Directors or committee which authorizes, approves or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors; or 2) the fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve or ratify such contract or transaction by vote or written consent.; or 3) the contract or transaction is fair and reasonable to the corporation. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction.

5.02 Loans. No indebtedness for borrowed money shall be contracted on behalf of the corporation and no evidences of such indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

5.03 Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer(s), employee(s) or agents of the corporation and in such manner as shall from time to time be determined by or under the authority of a resolution of the Board of Directors.

5.04 Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as may be selected by or under the authority of a resolution of the Board of Directors.

5.05 Voting of Securities Owned by this Corporation. Subject always to the specific directions of the Board of Directors, (a) any shares or other securities issued by any other corporation and owned or controlled by this corporation may be voted at any meeting of security holders of such other corporation by the President of this corporation if he be present, or in his absence by any Vice President of this corporation who may be present, and (b) whenever, in the judgment of the President, or in his absence, of any Vice President, it is desirable for this

corporation to execute a proxy or written consent in respect to any shares or other securities issued by any other corporation and owned by this corporation, such proxy or consent shall be executed in the name of this corporation by the President or one of the Vice Presidents of this corporation, without necessity of any authorization by the Board of Directors, affixation of corporate seal or countersignature or attestation by another officer. Any person or persons designated in the manner above stated as the proxy or proxies of this corporation shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by this corporation the same as such shares or other securities might be voted by this corporation.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.01 Certificated and Uncertificated Shares. Shares of the corporation's stock may be certificated or uncertificated as provided under Wisconsin law. Certificates representing shares of the corporation shall be in such form, consistent with law, as shall be determined by the Board of Directors. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except as provided in Section 6.05.

6.02 Facsimile Signatures and Seal. The seal of the corporation on any certificates for shares may be a facsimile. The signatures of the President or Vice President and the Secretary or Assistant Secretary upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent or a registrar, other than the corporation itself or an employee of the corporation.

6.03 Signature by Former Officers. In case any officer who has signed or whose facsimile signature has been placed upon any certificate for shares and who shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of its issue.

6.04 Transfer of Shares. Transfers of stock shall be made on the books of the corporation only by the record holder of such stock, or by attorney lawfully constituted in

writing, and, in the case of stock represented by a certificate, upon surrender of the certificate. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except as provided in Section 6.05. Prior to due presentment of a certificate for shares for registration or transfer, and unless the corporation has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the corporation as the shareholder, the corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and power of an owner. The corporation may require reasonable assurance that all transfer endorsements are genuine and effective and in compliance with all regulations prescribed by or under the authority of the Board of Directors.

6.05 Lost Destroyed or Stolen Certificates. Where the owner claims that his certificate for shares has been lost destroyed *or* wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the corporation has notice that such shares have been acquired by a bona fide purchase, and (b) files with the corporation a sufficient indemnity bond, and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

6.06 Stock Regulations. The Board of Directors shall have the power and authority to make all such rules and regulations not inconsistent with the statutes of the State of Wisconsin as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the corporation.

ARTICLE VII. WAIVER OF NOTICE

7.01 Written Waiver. Whenever any notice whatever is required to be given under the provisions of the Wisconsin Business Corporation Law or under the provisions of the Articles of Incorporation or By-Laws, a waiver thereof in writing signed at any time, whether before or after the time of the meeting, by the person or persons entitled to such notice shall be deemed equivalent to the giving of such notice. Such waiver by a shareholder in respect of any matter of which notice is required under any provision of The Wisconsin Business Corporation Law shall contain the same information as would have been required to be included in such notice under any applicable provisions of said law, except that the time and place of meeting need not be stated.

7.02 Shareholder Waiver by Attendance. A shareholder's attendance at a meeting, in person or by proxy, waives objection to both of the following:

(a) Lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting.

(b) Consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

7.03 Director Waiver by Attendance. A director's attendance at or participation in a meeting of the Board of Directors or any committee thereof waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon his or her arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

ARTICLE VIII. UNANIMOUS CONSENT WITHOUT A MEETING

Any action required by the Articles of Incorporation or By-Laws or any provision of the Wisconsin Business Corporation Law to be taken at a meeting or any other action which may be taken at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the shareholders, directors or members of a committee thereof entitled to vote with respect to the subject matter thereof and such consent shall have the same force and effect as a unanimous vote.

ARTICLE IX. INDEMNIFICATION

9.01 Extent of Indemnification. The company shall indemnify any person who was or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (except such as relate to personal injury or death as provided in Section 9.02), by reason of the fact that he is or was a director, officer, employee or agent of the company, or is or was serving at the request of the company as a director, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in

settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, to the extent and under the circumstances permitted by the Wisconsin Business Corporation Law.

9.02 Specific Exceptions to Indemnification. The indemnification provided by this By-Law shall not create any duty or obligation of the company to indemnify any party in connection with any action, suit, proceeding or claim arising out of or based upon personal injury or death for which any such director, officer, employee or agent is alleged to have legal responsibility; nor shall such indemnification in any manner extend any liability or obligation of the company with respect to any such matter involving personal injury or death beyond that which may otherwise exist by reason of any provision of law. The company may elect to grant such indemnification in such matters if it is deemed to be in the company's best interest, to the same extent as is provided in Section 9.03 for other actions, suits, proceedings or claims.

9.03 Manner of Authorization. Indemnification under this Article IX (unless ordered by a court) shall be made as authorized in a specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he has met the applicable standards of conduct set forth in the Wisconsin Business Corporation Law or that he acted in the best interests of the company. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by shareholders. The foregoing right of indemnification shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law agreement, insurance, vote of shareholders or disinterested directors or otherwise, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE X. SEAL

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation and the state of incorporation and the words, "Corporate Seal".

ARTICLE XI
AMENDMENTS

11.01 By Shareholders. These by-laws may be altered, amended or repealed and new by-laws may be adopted by the shareholders by affirmative vote of not less than a majority of the shares present or represented at an annual or special meeting of the shareholders at which a quorum is in attendance.

11.02 By Directors. These by-laws may also be altered, amended or repealed and new by-laws may be adopted by the Board of Directors by affirmative vote of a majority of the number of directors present at any meeting at which a quorum is in attendance, but no by-law adopted by the shareholders shall be amended or repealed by the Board of Directors if the by-law so adopted so provides.

11.03 Implied Amendments. Any action taken or authorized by the shareholders or Board of Directors, which would be inconsistent with the By-laws then in effect, but is taken or authorized by a vote that would be sufficient to amend the By-laws so that the By-laws would be consistent with such action, shall be given the same effect as though the By-laws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

BRADY CORPORATION
DIRECTORS' DEFERRED COMPENSATION PLAN
AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2005

ARTICLE I

INTRODUCTION

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 document amends and restates those prior agreements effective as of January 1, 2005 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.

ARTICLE II

DEFINITIONS

The following definitions shall be applicable throughout the Plan:

2.1 "Account" 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 "Administrator" means the Board of Directors of Brady Corporation.

2.3 "Beneficiary" 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 "Code" means the Internal Revenue Code of 1986, including any subsequent amendments.

2.5 “Corporation” means Brady Corporation.

2.6 “Distribution Date” means the date specified by the Participant pursuant to Section 6.2 upon which distribution shall be made or commenced following the Participant’s Separation from Service or In-Service Payment Event Date, as the case may be. The Distribution Date selected by the Participant must be on the first day of a calendar quarter and may be no later than 12 months after the Participant’s Separation from Service or In-Service Payment Event Date, whichever is the cause 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 “In-Service Payment Event Date” means the date, if any, specified by the Participant pursuant to Section 6.2 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.

2.8 “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.

2.9 “Payment Event” means the earlier of the date of a Participant’s Separation From Service or the date the Participant specifies as his In-Service Payment Event Date.

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

2.11 “Plan Year” means the calendar year.

2.12 “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).

2.13 “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. 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 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. 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, from and after May 1, 2006, a Participant may not shift any amounts from his Brady Stock Sub-account to his General Investment Sub-account or vice-versa. 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 shall not 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 Full Vesting. 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 Payment of Benefits. 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) Single Sum. 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) Installments. 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 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 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, whether an In-Service Payment Event Date shall apply and the applicable Distribution Date. 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, whether an In-Service Payment Event Date shall apply and the applicable Distribution Date; 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, there shall be no In-Service Payment Event Date, and the Distribution Date shall be the same distribution date which would apply under that other plan. 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, or change a previously elected In-Service Payment Event Date and/or applicable Distribution Date 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 or changing a previously elected In-Service Payment Date and/or applicable Distribution Date 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 the In-Service Payment Event Date must have the effect of delaying the In-Service Payment Event Date to a date which is at least five (5) years after the In-Service Payment Event Date previously in effect. 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. Any change in the In-Service Payment Event Date must have the effect of delaying the In-Service Payment Event Date to a date which is at least five (5) years after the In-Service Payment Event Date previously in effect. 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. 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 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 anticipates that the making of the payment will violate federal securities laws or other applicable law; provided, however, that payments shall nevertheless be made on the earliest date on which the Corporation reasonably anticipates that the making of the payment will not cause such violation. (The making of a payment that would cause inclusion in gross income or the applicability of any penalty provision or other provision of the Code is not treated as a violation of applicable law.)

(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 Account balance 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 \$10,000. 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 this Plan is terminated, no additional deferrals or contributions shall be credited to any Participant Account hereunder. Following Plan termination, Participants' Accounts shall be paid at such time and in such form as provided under Article VI of the Plan. Notwithstanding the preceding sentence, either at the time of termination or on a subsequent date the Corporation may, in its discretion, determine to distribute the then existing Account balances of Participants and beneficiaries and, following such distribution, there shall be no further obligation to any Participant or beneficiary under this Plan; provided, however, that the authority granted to the Corporation under this sentence shall be implemented only to the extent permissible under Code Section 409A and regulations and other guidance issued by the Internal Revenue Service interpreting the provisions of that Section.

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 2005-2006. 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, 2006, 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. Such election shall become effective after the last day upon which it is permitted to be made. In order to change any such election after December 31, 2006, the requirements of Section 6.2 hereof must be satisfied.

IN WITNESS WHEREOF, the Corporation has caused its duly authorized officer to execute this Plan document on its behalf this 14th day of September, 2006, to be effective as of January 1, 2005.

BRADY CORPORATION

By: /s/ Frank M. Jaehnert

Attest: /s/ Conrad G. Goodkind

For More Information:

Investor contact: Barbara Bolens 414-438-6940

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For Immediate Release

Brady Corporation reports record sales and earnings for fiscal 2006 fourth quarter and year end

MILWAUKEE (September 13, 2006)—Brady Corporation (NYSE: BRC) today reported record results for its fiscal 2006 fourth quarter and fiscal year ended July 31, 2006.

Sales in the fiscal 2006 fourth quarter rose 37 percent to \$288.3 million compared to sales in the fourth quarter of fiscal 2005 of \$210.0 million. The increase was comprised of organic growth of 8 percent compared to the prior year's quarter, with acquisitions adding 27 percent, and foreign currency translation contributing 2 percent to sales growth.

Net income for the fiscal 2006 fourth quarter was up 40 percent to \$22.5 million or \$0.43 per diluted Class A Common share, compared with \$16.1 million or \$0.32 per diluted Class A Common Share in the fourth quarter of fiscal 2005. Earnings per share in fiscal 2006 reflect issuance of additional 4.6 million shares through an equity offering in the fourth quarter.

Brady's fiscal 2006 net sales rose 25 percent to \$1.018 billion compared to \$816.4 million in sales in fiscal 2005. Organic growth was 9 percent, acquisitions added 16 percent and foreign currency had a negligible impact on total sales results.

Net income for fiscal 2006 rose 27 percent to \$104.2 million or \$2.07 per diluted Class A Common Share, compared to \$81.9 million or \$1.64 per diluted Class A Common in fiscal 2005.

"Fiscal 2006 was an outstanding year for Brady as we hit several important milestones, not the least of which is for the first time in Brady's history we reached sales in excess of \$1 billion. The year was also marked by a tremendous amount of activity, including 11 acquisitions; expansions in India, Slovakia and China; and a successful secondary offering of Brady stock," said Brady President and Chief Executive Officer Frank M. Jaehnert.

"In fiscal 2006 we were pleased to see solid organic growth, along with strong cash flow from operating activities of \$115.3 million," said Brady Vice President and Chief Financial Officer David Mathieson. "With the recent acquisitions of Carroll, Daewon and CIPI, we now expect annual sales of between \$1.225 and \$1.25 billion in fiscal 2007. Earnings-per-share guidance remains unchanged from our June 5 post-equity-offering guidance of \$2.18 to \$2.27 per share which is consistent with net income of between \$120 and \$125 million."

A Webcast regarding fiscal 2006 results will be available at www.investor.bradycorp.com beginning at 9:30 a.m. Central Daylight Time today.

Brady Corporation is an international manufacturer and marketer of complete solutions that identify and protect premises, products and people. Its products help customers increase safety, security, productivity and performance and include high-performance labels and signs, safety devices, printing systems and software, and precision die-cut materials. Founded in 1914, the company has more than 500,000 customers in electronics, telecommunications, manufacturing, electrical, construction, education, medical and a variety of other industries. Brady is headquartered in Milwaukee and employs more than 7,000 people at operations in the Americas, Europe and Asia/Pacific. Brady's fiscal 2005 sales were approximately \$816 million. More information is available on the Internet at www.bradycorp.com

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Brady believes that certain statements in this news release are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements related to future, not past, events included in this news release, including, without limitation, statements regarding Brady'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 are forward-looking statements. When used in this news release, 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 future financial performance of major markets Brady serves, which include, without limitation, telecommunications, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, transportation; difficulties in making and integrating acquisitions; risks associated with newly acquired businesses; Brady's ability to retain significant contracts and customers; future competition; Brady's ability to develop and successfully market new products; changes in the supply of, or price for, parts and components; increased price pressure from suppliers and customers; interruptions to sources of supply; environmental, health and safety compliance costs and liabilities; Brady's ability to realize cost savings from operating initiatives; Brady's ability to attract and retain key talent; difficulties associated with exports; risks associated with international operations; fluctuations in currency rates versus the US dollar; technology changes; potential write-offs of Brady's substantial intangible assets; risks associated with obtaining governmental approvals and maintaining regulatory compliance for new and existing products; business interruptions due to implementing business systems; 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 located in Item 1A of Part II of Brady's Quarterly Report on Form 10-Q for the period ended April 30, 2006. 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.

Information by regional segment for the three and twelve months ended July 31, 2006 and 2005 is as follows:

(in Thousands)	Americas	Europe	Asia	Subtotals	Corporate and Eliminations	Total
SALES TO EXTERNAL CUSTOMERS						
Three months ended:						
July 31, 2006	\$135,470	\$ 88,966	\$ 63,897	\$ 288,333	—	\$ 288,333
July 31, 2005	108,019	67,825	34,202	210,046	—	210,046
Twelve months ended:						
July 31, 2006	\$498,916	\$319,432	\$200,088	\$1,018,436	—	\$1,018,436
July 31, 2005	417,780	274,691	123,976	816,447	—	816,447

SALES GROWTH INFORMATION

Three months ended						
July 31, 2006:						
Base	5.2%	7.7%	20.8%	8.6%	—	8.6%
Currency	1.4%	2.4%	2.9%	1.9%	—	1.9%
Acquisitions	18.8%	21.1%	63.1%	26.8%	—	26.8%
Total	25.4%	31.2%	86.8%	37.3%	—	37.3%

Twelve months ended						
July 31, 2006:						
Base	5.0%	4.2%	34.7%	9.2%	—	9.2%
Currency	1.5%	-4.3%	1.6%	-0.5%	—	-0.5%
Acquisitions	12.9%	16.4%	25.1%	16.0%	—	16.0%
Total	19.4%	16.3%	61.4%	24.7%	—	24.7%

SEGMENT PROFIT (LOSS)

Three months ended:						
July 31, 2006	\$ 30,336	\$ 21,900	\$ 12,192	\$ 64,428	(\$2,893)	\$ 61,535
July 31, 2005	24,227	18,496	8,830	51,553	(1,929)	49,624
Percentage increase (decrease)	25.2%	18.4%	38.1%	25.0%	50.0%	24.0%

Twelve months ended:						
July 31, 2006	\$122,525	\$ 83,970	\$ 49,316	\$ 255,811	(\$10,633)	\$ 245,178
July 31, 2005	98,193	79,792	34,228	212,213	(4,845)	207,368
Percentage increase	24.8%	5.2%	44.1%	20.5%	119.5%	18.2%

NET INCOME RECONCILIATION (in thousands)

	Three months ended:		Twelve months ended:	
	July 31, 2006	July 31, 2005	July 31, 2006	July 31, 2005
Total profit for reportable segments	\$ 64,428	\$ 51,553	\$255,811	\$212,213
Corporate and eliminations	(2,893)	(1,929)	(10,633)	(4,845)
Unallocated amounts:				
Administrative costs	(24,650)	(25,442)	(88,662)	(84,916)
Investment and other income	(356)	557	2,403	1,369
Interest expense	(5,311)	(2,126)	(14,231)	(8,403)
Income before income taxes	31,218	22,613	144,688	115,418
Income taxes	(8,741)	(6,558)	(40,513)	(33,471)
Net income	\$ 22,477	\$ 16,055	\$104,175	\$ 81,947

RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES

(in thousands)

	Fiscal 2005				
	Q1	Q2	Q3	Q4	Total
EBITDA (1)					
Net income	\$20,357	\$20,579	\$24,956	\$16,055	\$ 81,947
Interest expense	2,139	2,037	2,101	2,126	8,403
Income taxes	9,580	8,811	8,522	6,558	33,471
Depreciation and amortization	6,775	6,478	6,738	6,831	26,822
 EBITDA (non-GAAP measure)	 \$38,851	 \$37,905	 \$42,317	 \$31,570	 \$150,643
	Fiscal 2006				
	Q1	Q2	Q3	Q4	Total
EBITDA (1)					
Net income	\$30,198	\$21,254	\$30,246	\$22,477	\$104,175
Interest expense	1,989	2,435	4,496	5,311	14,231
Income taxes	12,334	7,675	11,763	8,741	40,513
Depreciation and amortization	7,360	7,194	9,419	11,171	35,144
 EBITDA (non-GAAP measure)	 \$51,881	 \$38,558	 \$55,924	 \$47,700	 \$194,063

- (1) Brady is presenting EBITDA because it is used by many of our investors and lenders, and is presented as a convenience to them. EBITDA represents net income before interest expense, income taxes and depreciation and amortization. EBITDA is not a calculation based on generally accepted accounting principles (GAAP). The amounts included in the EBITDA calculation, however, are derived from amounts included in the Condensed Consolidated Statements of Income data. EBITDA should not be considered as an alternative to net income or operating income as an indicator of the company's operating performance, or as an alternative to operating cash flows as a measure of liquidity. The EBITDA measure presented may not always be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands)

	(Unaudited)					
	Three Months Ended July 31st			Twelve Months Ended July 31st		
	2006	2005	Percentage Change	2006	2005	Percentage Change
Net sales	\$288,333	\$210,046	37.3%	\$1,018,436	\$816,447	24.7%
Cost of products sold	144,429	101,119	42.8%	492,681	383,171	28.6%
Gross margin	143,904	108,927	32.1%	525,755	433,276	21.3%
Operating expenses:						
Research and development	9,766	7,334	33.2%	30,443	25,078	21.4%
Selling, general and administrative	97,253	77,411	25.6%	338,796	285,746	18.6%
Total operating expenses	107,019	84,745	26.3%	369,239	310,824	18.8%
Operating income	36,885	24,182	52.5%	156,516	122,452	27.8%
Other income and (expense):						
Investment and other income	(356)	557	-163.9%	2,403	1,369	75.5%
Interest expense	(5,311)	(2,126)	149.8%	(14,231)	(8,403)	69.4%
Income before income taxes	31,218	22,613	38.1%	144,688	115,418	25.4%
Income taxes	8,741	6,558	33.3%	40,513	33,471	21.0%
Net income	<u>\$ 22,477</u>	<u>\$ 16,055</u>	40.0%	<u>\$ 104,175</u>	<u>\$ 81,947</u>	27.1%
Per Class A Nonvoting Common Share:						
Basic net income	\$ 0.44	\$ 0.33	33.3%	\$ 2.10	\$ 1.67	25.7%
Diluted net income	\$ 0.43	\$ 0.32	34.4%	\$ 2.07	\$ 1.64	26.2%
Dividends	\$ 0.13	\$ 0.11	18.2%	\$ 0.52	\$ 0.44	18.2%
Per Class B Voting Common Share:						
Basic net income	\$ 0.44	\$ 0.33	33.3%	\$ 2.09	\$ 1.66	25.9%
Diluted net income	\$ 0.43	\$ 0.32	34.4%	\$ 2.05	\$ 1.63	25.8%
Dividends	\$ 0.13	\$ 0.11	18.2%	\$ 0.50	\$ 0.42	19.0%
Weighted average common shares outstanding (in Thousands):						
Basic	50,791	49,240		49,494	48,967	
Diluted	51,672	50,232		50,385	49,859	

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	(Unaudited)	
	July 31, 2006	July 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 113,008	\$ 72,970
Short term investments	11,500	7,100
Accounts receivable, less allowance for losses (\$6,390 and \$3,726, respectively)	187,907	123,453
Inventories:		
Finished Products	59,365	38,827
Work-in-process	12,850	9,681
Raw materials and supplies	37,702	22,227
Total inventories	109,917	70,735
Prepaid expenses and other current assets	36,825	28,114
Total current assets	459,157	302,372
Other assets:		
Goodwill	587,642	332,369
Other Intangible assets, net	134,111	71,647
Deferred Income Taxes	34,135	39,043
Other	10,235	6,305
Total other assets	766,123	449,364
Property, plant and equipment:		
Cost:		
Land	6,548	6,388
Buildings and improvements	78,418	65,007
Machinery and equipment	198,426	157,093
Construction in progress	12,098	6,510
	295,490	234,998
Less accumulated depreciation	155,584	136,587
Net property, plant and equipment	139,906	98,411
Total	\$1,365,186	\$ 850,147
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current liabilities:		
Accounts payable	\$ 78,585	\$ 52,696
Wages and amounts withheld from employees	61,778	49,620
Taxes, other than income taxes	6,231	4,815
Accrued income taxes	25,675	24,028
Other current liabilities	46,763	29,649
Short-term borrowings and current maturities on long-term debt	20	4
Total current liabilities	219,052	160,812
Long-term obligations, less current maturities	350,018	150,026
Other liabilities	50,502	42,035
Total liabilities	619,572	352,873
Stockholders' investment:		
Common stock:		
Class A nonvoting common stock — Issued 50,481,743 and 45,877,543 shares, respectively and outstanding 50,188,842 and 45,792,199 shares, respectively	505	458
Class B voting common stock — Issued and outstanding, 3,538,628 shares	35	35
Additional paid-in capital	258,922	99,029
Income retained in the business	460,991	382,880
Treasury Stock - 292,901 and 85,344 shares, respectively of Class A nonvoting common stock, at cost	(10,865)	(1,575)
Accumulated other comprehensive income	35,264	17,497
Other	762	(1,050)

Total stockholders' investment		745,614	497,274
Total		<u>\$1,365,186</u>	<u>\$ 850,147</u>

BRADY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	2006	(Unaudited) Twelve Months Ended 31-Jul 2005	2004
Operating activities:			
Net income	\$ 104,175	\$ 81,947	\$ 50,871
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	35,144	26,822	20,190
Gain on Foreign Currency Contract	(1,516)	—	—
Income tax benefit from the exercise of stock options	—	5,385	4,406
Deferred Income taxes	(1,843)	(2,653)	5,172
Loss on sale or disposal of property, plant & equipment	124	743	321
Provision for losses on accounts receivable	1,152	1,216	1,450
Non-cash portion of stock-based compensation expense	5,568	5,579	1,927
Net restructuring charge accrued liability	—	—	3,221
Changes in operating assets and liabilities (net of effects of business acquisitions):			
Accounts receivable	(13,620)	(7,132)	(11,979)
Inventories	(16,961)	(11,847)	(6,791)
Prepaid expenses and other assets	(2,163)	(3,572)	2,168
Accounts payable and accrued liabilities	10,421	8,827	15,210
Income taxes	492	9,662	(393)
Other liabilities	(5,643)	4,126	1,873
Net cash provided by operating activities	115,330	119,103	87,646
Investing activities:			
Acquisition of businesses, net of cash acquired	(347,681)	(79,926)	(228,928)
Purchases of short-term investments	(150,900)	(50,025)	(38,450)
Sales of short-term investments	146,500	48,075	42,850
Purchases of property, plant and equipment	(39,410)	(21,920)	(14,892)
Purchase of Foreign Currency Contract	(2,134)	—	—
Proceeds from sale of property, plant and equipment	546	390	448
Other	(2,203)	(1,686)	(1,533)
Net cash used in investing activities	(395,282)	(105,092)	(240,505)
Financing activities:			
Payment of dividends	(26,064)	(21,291)	(19,805)
Proceeds from issuance of common stock	166,664	15,734	19,422
Principal payments on debt	(417,601)	(85,604)	(161,578)
Proceeds from issuance of debt	615,730	83,000	310,000
Purchase of treasury stock	(24,683)	(1,551)	(564)
Income tax benefit from the exercise of stock options	4,912	—	—
Debt issue costs	—	—	(1,372)
Net cash provided by (used in) financing activities	318,958	(9,712)	146,103
Effect of exchange rate changes on cash	1,032	(117)	6,939
Net increase in cash and cash equivalents	40,038	4,182	183
Cash and cash equivalents, beginning of period	72,970	68,788	68,605
Cash and cash equivalents, end of period	113,008	72,970	68,788
Supplemental disclosures:			
Cash paid during the period for:			
Interest, net of capitalized interest	\$ 8,991	7,836	506
Income taxes, net of refunds	37,661	19,358	10,977
Acquisitions:			
Fair value of asset acquired, net of cash	\$ 167,900	60,193	96,656
Liabilities assumed	(63,667)	(35,113)	(8,674)
Goodwill	247,098	54,846	140,946
Effect of foreign currency contract	(3,650)	—	—
Net cash paid for acquisitions	\$ 347,681	79,926	228,928