

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)
For the Fiscal Year Ended July 31, 1994

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the Transition Period from to

Commission File Number 0-12730

W.H. BRADY CO
(Exact name of registrant as specified in charter)

Wisconsin 39-0178960
(State of Incorporation) (IRS Employer Identification No.)

727 West Glendale Avenue
P.O. Box 571
Milwaukee, WI 53201
(Address of Principal Executive Offices and Zip Code)

(414) 332-8100
(Registrant's Telephone Number)

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Class A Nonvoting Common Stock, Par Value \$.01 per share

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

Indicate by check mark if disclosure of delinquent filers pursuant to
Item 405 of Regulation S-K is not contained herein, and will not be
contained, to the best of the registrant's knowledge, in definitive
proxy or information statements incorporated by reference in Part III of
this Form 10-K or any amendment to this Form 10-K. Yes X No

As of October 3, 1994, there were outstanding 5,477,312 shares of Class
A Nonvoting Common Stock (the "Class A Common Stock"), and 1,769,314
shares of Class B Common Stock. The Class B Common Stock, all of which
is held by affiliates of the Registrant, is the only voting stock.

DOCUMENTS INCORPORATED BY REFERENCE
W.H. Brady Co. 1994 Annual Report, Incorporated into Part II & IV

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PART I

W.H. Brady Co. and Subsidiaries is hereinafter referred to as the Company or Brady.

ITEM 1 BUSINESS

(a) General Development of Business

Brady is a Wisconsin corporation. It presently operates 15 manufacturing facilities in the United States and six foreign countries. The Company operates through seven subsidiaries with operations in three states and in Australia, Belgium, Canada, England, France, Germany, Hong Kong, Italy, Japan, New Zealand, Singapore, Spain and Sweden. The Company's principal office is located at 727 West Glendale Avenue, Milwaukee, Wisconsin 53201 and its telephone number is (414) 332-8100.

(b) Financial Information About Industry Segments

Not applicable.

(c) Narrative Description of Business

General

The Company develops, manufactures and sells a broad range of stock and customized products employing its knowledge of surface chemistry, principally in adhesives, coatings and graphics technologies. Brady's products include over 20,000 stock items and a wide variety of custom items, which are used primarily to identify, inform or instruct, including pressure-sensitive identification, labeling and marking systems for electrical wires and pipes; self-bonding nameplates, faceplates, and control panels; safety and instructional signs; specialized tapes used in audio, video and computer applications; and pressure sensitive wound care products. The Company's products are sold domestically and internationally through a network of distributors, a direct sales force and mail order sales, and are used in a variety of industrial, commercial, governmental, public utility, medical equipment, computer and consumer product markets, including original equipment manufacturers.

The Company operates 15 manufacturing facilities in the United States and six foreign countries. Domestic operations are conducted through its North American Group and Direct Marketing Group with locations in Connecticut, North Carolina, and Wisconsin. International operations are conducted through its International Group and Direct Marketing Group with locations in Australia, Belgium, Canada, England, France, Germany, Hong Kong, Italy, Japan, New Zealand, Singapore, Spain and Sweden.

Technology and Product Development

The Company focuses its research and development efforts on applications in the science of surface chemistry, i.e., coatings, adhesives and physical bonding. This dedication to surface chemistry, in combination with a manufacturing technology oriented to adhesives and graphics, has led to the development of many proprietary release coatings, adhesives and products which are adhesively fastened. Most of the Company's products are adhesively fastened to customers' products, equipment or buildings, but a portion of the products are mechanically fastened.

Adhesive based products are characterized by their ability to adhere to another surface merely by application of pressure. The adhesive materials generally consist of a face stock, which is coated with an adhesive, and a removable protective backing coated with a release-coating. The stock may be paper, metal or metal foil, plastic film or cloth. The release-coated removable backing is laminated to the adhesive side of the face stock and protects the pressure-sensitive adhesive from premature contact with other surfaces, thus allowing the material to be printed and/or die-cut, as required. The backing paper also serves as the carrier for supporting and dispensing the products. When the products are to be used, the backing is removed to expose the adhesive, and the product is pressed or rolled into place manually or applied automatically.

New product and process development and product improvements are a significant part of the Company's business plan. Although it is difficult to accurately measure, the Company has a goal that 25% of its sales be of products introduced within the past five years. These products included bar code labels, computer printable wire marking sleeves and application systems, Bradywriter, Bradylabel Software, Bradymarker & labels, Lasertabs, Brady snap-on and mechanically applied pipemarkers, lockout compliance products, parts for micro discs, surface mount carrier and cover tape, outdoor weatherable graphic arts adhesive coated films, laser printable nameplates, abrasive and solvent resistant coatings for polyester and polycarbonates, and wound care devices.

The Company conducts most of its research and development activities at its 30,000 sq. ft. Frederic S. Tobey Research and Innovation Center in Milwaukee, Wisconsin and through a small research center in Belgium which services its European subsidiaries. The Company spent approximately \$10.3 million, \$12.1 million and \$10.0 million in Fiscal 1994, 1993 and 1992, respectively, on its research and development activities, all of which were Company sponsored. In Fiscal 1994, approximately 100 employees were engaged in research and development activities for the Company. Additional research projects were conducted under contract with universities, other institutions and consultants. The Company owns patents covering various aspects of adhesive chemistry, electronic circuitry, computer generated wire markers, and systems for aligning letters and patterns. While the Company believes that its patents are a significant factor in

maintaining its market position as to certain products, technology in the areas covered by many of the patents is evolving rapidly and may limit the value of the Company's patents. The Company's business is not dependent on any single patent or group of patents.

Manufacturing Processes

The Company's manufacturing processes require application of coatings and adhesives to a variety of materials, including paper, metal and metal foil, plastic film and cloth, and the use of various graphic techniques to print or mark the materials. Products manufactured by the Company generally require a high degree of precision and the application of adhesives with chemical and physical properties suited for specific usages.

The Coated Products Division of Brady USA, Inc. produces adhesive coated materials and release coated backings mainly for use by other divisions and subsidiaries. The Company's production of the majority of its own adhesive stocks and release coatings permits an integrated manufacturing process which the Company believes, when combined with its emphasis on quality control, provides the basis for high quality, uniform products. The Company's integrated manufacturing processes also permit it to achieve greater flexibility in product design and manufacture, and improve its ability to provide specialized products designed to meet the needs of specific applications.

Products

Brady's products are used in a wide variety of industrial applications, including markers that identify electrical circuits and piping systems; safety and accident prevention signs that warn of health and accident hazards; nameplates and faceplates that identify and decorate consumer, scientific, medical and electrical products; specialized tapes for audio, video and computer applications; products for the marking and identification of buildings, equipment, and storage facilities; products for the aerial and ground location and identification of utility lines; products for floor safety, aisle and barricade marking; and wound care devices. The Company's most significant products are described below.

Wire Markers

Since 1945, the Company has been the leading domestic producer of labeling and identification products for electrical wires and wiring devices. Virtually all industrial products, medical equipment, computers, large buildings, transportation equipment and vehicles contain a complex network of electrical wiring and circuits. The wires and wiring devices that comprise these networks must be identified at the time of manufacture or installation. Many of the Company's products have become standard in the industry.

The Company manufactures both self-adhesive and non-adhesive wire marking products in a wide variety of styles and materials. The markers may be printed with a single number or letter, or with a multi-line "address" that indicates the origination and termination of the wire, the device or devices to which it transmits current, engineering drawings and part numbers, or other information that facilitates the location of the source of trouble and repair in case of malfunction of the system.

Brady wire markers are designed for application by a variety of means and for use in specialized environments, including temperature ranges of -85F to more than 1,200F and chemical or other corrosive exposures including radiation, moisture, ozone, acid, alkalis, oils, and solvents. These products are constructed from various materials designed to meet engineers' specifications, ranging from general purpose cloth to materials for more specialized uses such as aluminum, vinyls, polyesters and polyvinylfluorides. Such markers and their chemically appropriate adhesives provide resistance to various environmental hazards such as heat, abrasion, solvents, and chemical corrosion.

The Company's self-adhesive wire markers are either preprinted or blank. The blank wire markers can be computer printed by the customer using Brady developed software. Preprinted wire markers are mounted on relatively thick release-coated card stock from which individual adhesive markers are removed manually or by machine and wrapped around the wire to provide permanent identification. Computer printable wire markers are mounted on pin-fed rolls or backing sheets. An important feature of the Brady computer printable wire markers is the proprietary ink-receptive, nonerasable, heat and solvent resistant coating on the surface of the marker.

The Company's non-adhesive wire marking sleeves are being used increasingly in industrial applications. These sleeve markers are produced in a variety of forms, ranging from simple slip-on or clip-on preprinted molded plastic pieces which are applied manually or through the use of a simple tubular device, to highly automated application systems for computer printed wire marking sleeves. These computer printed sleeves may be applied using Brady developed equipment at rates up to 1,800 markers per hour. Wire marking sleeves may also be heat shrunk onto the wire using equipment designed for that purpose.

Nameplates, Faceplates and Control Panels

Brady's nameplates, faceplates and control panels, all of which are custom designed for specific product and customer needs, are used for product identification. These products display company logos or other designs to enhance a customer's product or company image, and may also incorporate a variety of functional features such as light emitting diode displays, backlighting (spectrum match filter windows for light transmission), deadfront lighting (light activated message windows), hot spot compensation (a mechanism for the even diffusion of a single light source over a wider area), and light filters. Brady manufactured nameplates, faceplates and control panels are used on electrical appliances and consumer products, medical and diagnostic equipment, computers, machine control panels, automobile dashboards, tools and identification plates.

These products may be surface printed on plastic or metal and protected with a coating or an overlamine to resist solvents and abrasions, or the products may be constructed of a plastic film and printed on the underside to provide maximum protection. Nameplates, faceplates and control panels are applied to customer products with pressure-sensitive adhesives, most of which are developed by the Company to meet specific bonding requirements. Most of these adhesives are formulated from acrylic-base polymers, which provide a variety of adhesive properties as well as superior durability. Rubber-based adhesives are used when nameplates are applied to low friction surfaces such as polyethylene and polypropylene.

Specialized Tape Products

The Company's specialized tapes and related products are used in a variety of audio, video and computer applications, as well as surface mount technology products. These specialized tape products are characterized by high performance adhesives, most of which are formulated by the Company, to meet high tolerance requirements of the industries in which they are used. The Company's computer application products include reinforcing rings for floppy discs and components of micro-discs. Its audio industry products are cassette leader and splicing tapes and conductive splicing tapes. Video products include Beta/VHS splicing and leader tapes, conductive/reflective sensing tapes, and other specialty components used in video cassettes. The Company's surface mount carrier and cover tapes are compatible with the products of all major surface-mounted-device electronic component manufacturers.

Pipe Markers

The Company manufactures both self-adhesive and non-adhesive mechanically applied stock and custom designed pipe markers and plastic

and metal valve tags for the identification of piping systems in chemical plants, refineries, pipelines, utilities, ships, hospitals, food processing plants, institutions, and other buildings and facilities in a variety of temperature and chemical environments. These products are designed to legibly identify and provide information as to the contents, direction of flow and special hazardous properties of materials contained in the piping systems. The Company's products are designed to meet standards established by the American National Standards Institute for the identification of piping systems. The Company formulates its own adhesives for its pipe marking products to withstand demanding climatic conditions encountered by facilities ranging from the Alaska pipeline to Middle East refineries, as well as exposure to various chemical environments. The products are also designed for application to a variety of pipe surfaces and sizes.

Safety and Accident Prevention Signs

The Company manufactures safety and accident prevention signs for use in a broad range of industrial, commercial, governmental and institutional applications. These signs are either self-adhesive or mechanically mounted, are designed for both indoor and outdoor use, and are manufactured to meet standards promulgated by the National Safety Council, the Occupational Safety and Health Administration and a variety of industry associations. The Company manufactures products with both stock and custom legends. Safety and accident prevention signs are constructed from materials designed to meet specific industry and environmental requirements, including self-adhesive vinyl coated cloth, subsurface printed polyester, reflective sheeting and phosphorescent polyester, metal, and fiberglass reinforced panels. The Company's sign products are categorized by type of message to be conveyed, including admittance, directional and exit signs; electrical hazard warnings and energy conservation messages; fire protection and fire equipment signs; hazardous waste labels; hazardous and toxic material warning signs; vehicle placards for the transportation industry; personal hazard warnings; housekeeping and operational warnings; pictograms; radiation and laser signs; safety practices signs; traffic signs; and regulatory markings. The Company believes that no other supplier offers as broad a range of safety and accident prevention sign products.

Numbers and Letters

The Company produces self-adhesive numbers and letters used for the systematic identification of bins and shelving in factories, warehouses, stockrooms and other facilities where alphanumeric labeling is desired. It produces card mounted numbers and letters in a variety of sizes and types of adhesive-backed printed material. Numbering and lettering systems are constructed of vinyl-coated cloth and indoor/outdoor vinyl. The Brady Bintab (R) labeling system provides custom computer printed labels for specialized storage identification needs. The Company also manufactures self-adhesive and self-aligning die-cut numbers and letters and sign making kits.

Other Products

The Company also sells a variety of other products, none of which individually accounts for a material portion of its sales. These products include non-skid safety tapes, warning posts and cones, die cut masks, adhesive backed felt, temperature indicating labels, and hospital and clinical labels.

Marketing and Sales

Brady markets its stock products primarily through a network of domestic distributors, mail order sales, and foreign distributors. The Company's custom designed products are marketed directly to end users, primarily through domestic and foreign full-time sales representatives. As part of its marketing program, the Company encourages distributors to maintain adequate inventories of its stock products to permit prompt delivery, and maintains such inventories itself.

Many of the Company's stock products were originally designed, developed and manufactured as custom products for a specific purchaser. However, such products have frequently developed wide industry acceptance and become stock items offered by the Company through mail order and distributor sales. The Company's products are designed to specifications established by industrial, commercial and military customers for specific applications. The Company seeks also to have its products specified by the engineering departments of manufacturers, constructors and contractors to which it sells.

The Company's products are sold in a wide variety of industrial, commercial, governmental, public utility, medical equipment, computer and consumer product markets, including original equipment manufacturers. No material part of the Company's business is dependent upon a single customer or group of customers, and the loss of a particular customer would have no material adverse effect upon the Company's business. In Fiscal 1994, no single customer accounted for as much as 2.0% of Company sales. Although sales of certain of the Company's products experience recurring seasonal variations, management does not consider the Company's overall sales to be seasonal in nature.

International Operations

The Company's international operations consist both of direct export sales by the Company's International Group and operations conducted by its seventeen international locations (Australia, Belgium, Canada (2), England (2), France (2), Germany (2), Hong Kong, Italy, Japan, New Zealand, Singapore, Spain and Sweden). Six of these international locations manufacture or have the capability to manufacture certain of the Brady products they sell. In Fiscal 1994, 1993, and 1992, international sales accounted for 37.1%, 32.0%, and 30.0%, respectively, of Brady's sales. Other than for the risks

normally attending foreign operations, such as currency fluctuations, exchange control regulations and the effect of international relations or the domestic affairs of foreign countries on the conduct of business, the nature of the Company's international operations and the countries in which they are conducted do not present unusual business risks over those encountered by the Company's domestic activities.

Backlog

As of July 31, 1994, the amount of the Company's backlog orders believed to be firm was \$17.4 million. This compares with approximately \$15.2 million and \$19.4 million of backlog orders as of July 31, 1993 and 1992, respectively. Average delivery time for the Company's orders varies from one day to twelve weeks, depending on the type of product, and whether the product is stock or custom designed and manufactured.

Raw Materials

Base materials used in the Company's products consist primarily of paper, plastic sheets and films (primarily polyesters and polycarbonates), metal and metal foil, cloth, fiberglass, inks, dyes, adhesives, pigments, natural and synthetic rubber, organic chemicals, polymers and solvents. The Company purchases its raw materials from many suppliers and is not dependent upon any single supplier for any of its base supply materials.

Competition

The markets for most of the Company's products are highly competitive. Although no industry statistics are available, the Company believes, on the basis of its knowledge and experience in its various product markets, that it is the leading domestic producer of self-adhesive wire markers, pipe markers, audio and video leader and splicing tapes, reinforcing rings for floppy discs, and adhesive numbers and letters, and believes that it is a leading domestic producer of nameplates and faceplates, and safety signs. The Company competes for business principally on the basis of quality and performance, and to a lesser extent on price. Product quality is determined by factors such as suitability of component materials for various applications, adhesive properties, graphics quality, durability, product consistency and workmanship. Competition in many of the Company's product markets is highly fragmented, ranging from smaller companies offering only one or a few types of products to some of the world's major adhesive and electrical product companies offering a wide range of competing products. A number of the Company's competitors are larger than the Company and have substantially greater resources.

Employees

As of July 31, 1994, Brady employed approximately 1,900 persons. The Company has never experienced a work stoppage due to a labor dispute, is not a party to any labor contracts, and considers its relations with employees to be excellent. To meet present and future manpower requirements, the Company maintains an active college recruiting program for sales, technical and administrative personnel.

Environment

At present, the manufacturing processes for the Company's adhesive-based products utilize certain evaporative organic solvents which, unless controlled, would be vented into the atmosphere. Emissions of these substances are regulated at the federal, state and local levels. During the past several years, the Company has implemented a number of procedures to reduce atmospheric emissions and/or to recover solvents. These efforts have included the reformulation of certain adhesives to water-based emulsions, rather than solvent-based products. During the past three years, Brady also installed incineration equipment to control emissions of organic solvents at a cost of approximately \$1,052,000.

(d) Financial Information about Foreign and Domestic Operations and Export Sales

See Note 7 to Notes to Consolidated Financial Statements

ITEM 2 PROPERTIES

The Company and its subsidiaries have 15 manufacturing facilities, six of which are located in Wisconsin, two in North Carolina, and one each in Connecticut, Australia, Belgium, Canada, England, Japan and Singapore. The Company's primary research facility of approximately 30,000 square feet is located in Milwaukee, Wisconsin. The Company's present operating facilities contain a total of approximately 923,000 square feet of space. All of the Company's facilities are owned by it, except for a total of approximately 150,000 square feet of leased space. The Company believes that its equipment and facilities are modern, well maintained, and adequate for its present needs.

ITEM 3 LEGAL PROCEEDINGS

The Company and its subsidiaries are not parties to any material pending legal proceedings.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market Information

The Company's Class A Common Stock is principally traded on the Over-the-Counter market and is quoted on NASDAQ under the symbol BRCOA. There is no established public trading market for the Company's Class B Common Stock.

Stock price disclosure required by this item is incorporated by reference to Page 37 of the W.H. Brady Co. 1994 Annual Report.

(b) Holders

The number of holders of record of the Company's Class A and Class B Common Stock as of September 30, 1994 was 304 and 2, respectively.

(c) Dividends

The Company has followed a practice of paying quarterly dividends on its outstanding common stock. Before any dividend may be paid on the Class B Common Stock, holders of the Class A Common Stock are entitled to receive an annual, non-cumulative cash dividend of \$.10 per share (subject to adjustment in the event of future stock splits, stock dividends or similar event involving shares of Class A Common Stock). Thereafter, any further dividend in that fiscal year must be paid on all shares of Class A Common Stock and Class B Common Stock on an equal basis.

During its two most recent fiscal years and for the first quarter of the current year, the Company declared the following dividends per share on its Class A and Class B Common Stock:

Year									
Year	Ended 7/31/93					Year	Ended 7/31/94		Ending 7/31/95
	1st2nd	3rd	4th	1st	2nd	3rd	4th		
	QtrQtr	Qtr	Qtr	Qtr	Qtr	Qtr	Qtr	Qtr	
Class A	\$.15	\$.15	\$.15	\$.15	\$.17	\$.17	\$.17	\$.17	\$.20
Class B	.05	.15	.15	.15	.07	.17	.17	.17	.10

ITEM 6 SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to Page 18 and 19 of the W.H. Brady Co. 1994 Annual Report.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is incorporated by reference to Pages 20 through 22 of the W.H. Brady Co. 1994 Annual Report.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to Pages 23 through 35 of the W.H. Brady Co. 1994 Annual Report.

ITEM 9 CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Title
Katherine M. Hudson	47	President, CEO and Director
Donald P. DeLuca	54	Senior Vice President, Treasurer and Assistant Secretary
Richard L. Fisk	50	Vice President, Direct Marketing
Gregory W. Gyllstrom	42	Vice President, Domestic
Peter J. Lettenberger	57	Secretary and Director
Daniel J. Subach	47	Vice President, Research and Development
James M. Sweet	41	Vice President, Human Resources
Thomas L. Turner	54	Vice President, Administration
William H. Brady III	52	Director
Elizabeth B. Lurie	49	Director
Robert C. Buchanan	54	Director
Roger D. Peirce	57	Director
Michael S. Joyce	52	Director
Richard A. Bemis	53	Director
Frank W. Harris	52	Director
Gary E. Nei	50	Director

KATHERINE M. HUDSON - Mrs. Hudson joined the Company in January 1994 as President, Chief Executive Officer and Director. Prior thereto she was a Vice President at Eastman Kodak Company and General Manager of its Professional, Printing and Publishing Image Division. She is also a director of Apple Computer.

DONALD P. DELUCA - Mr. DeLuca joined the Company as Vice President-Finance and Chief Financial Officer in May of 1990. He was promoted to Senior Vice President in August 1994. Before joining Brady, he served as Executive Vice President-Finance and Administration of CSC Industries, Inc. from 1987 to April 1990. Prior to that he served as Vice President, Treasurer and Secretary of Copperweld Corp. from 1974 to 1987. He is also a director of GAN North American Insurance Company.

RICHARD L. FISK - Mr. Fisk joined the Company in 1979 and was appointed to his present position in August 1987. He previously served as General Manager of Seton Name Plate Co., a wholly-owned subsidiary of the Company.

GREGORY W. GYLLSTROM - Mr. Gyllstrom joined the Company in June 1980 and was appointed to his present position in February 1992. He previously served as General Manager of the Company's Signmark Division for five years. Mr. Gyllstrom left the Company in October 1994.

PETER J. LETTENBERGER - Mr. Lettenberger has served as a Director and Secretary of the Company since January 1977. Mr. Lettenberger has been a member of the Company's audit and compensation committees since April 1977 and October 1978, respectively, and has been chairman of the compensation committee since June 1985. He is a partner of Quarles & Brady, general counsel to Company, which firm he joined in 1964. He is also a director of Electronic Tele-Communications, Inc.

DANIEL J. SUBACH - Mr. Subach joined the Company in February 1992 as Vice President-Research and Development. Prior thereto he was Director of New Product Ventures for H.B. Fuller. Mr. Subach resigned from the Company in July 1994.

JAMES M. SWEET - Mr. Sweet joined the Company in 1985. In November of 1987 he was appointed Director, Personnel. In August of 1989 he was appointed Vice President, Human Resources.

THOMAS L. TURNER - Mr. Turner joined the Company in September 1979. In October 1985 he was appointed Director, Information Services. In September 1987 he was appointed Vice President, Administration. Mr. Turner will retire in December 1994.

WILLIAM H. BRADY III - Mr. Brady has been a director of the Company since January of 1979. He is an audio consultant for Brady Audio Consulting.

ELIZABETH B. LURIE - Mrs. Lurie has been a director of the Company since January of 1979. Until June 1, 1984, Mrs. Lurie was a Vice President of Chase Federal Savings & Loan Association, Miami, Florida, and had been employed by that firm since November 1973, except for the period from October 1979 to November 1980, when she was Financial Manager for the University of Miami Law & Economic Center. She now lives in North Carolina where she is the principal owner of an art gallery in Maggie Valley.

ROBERT C. BUCHANAN - Mr. Buchanan has been a director of the Company since November 1987 and a member of its audit committee since June 1988 (chairman since June 1990). Mr. Buchanan is President and CEO of the Fox Valley Corporation in Appleton, Wisconsin, having assumed that position November 1, 1980. He is also a director of The Northwestern Mutual Life Insurance Company.

ROGER D. PEIRCE - Mr. Peirce has served as a director and a member of the compensation committee of the Company since September, 1988. From September 1986 to December 1993, he was President of Super Steel Products Corp., a manufacturer and marketer of fabricated metal products in Milwaukee, Wisconsin. Prior thereto he was a managing partner, partner or staff accountant for Arthur Andersen & Co. (since 1961), independent certified public accountants.

MICHAEL S. JOYCE - Mr. Joyce has been a director of the Company since

March of 1989 and a member of its audit committee since June of 1990. Mr. Joyce is President and CEO of the Lynde and Harry Bradley Foundation. Prior thereto he was Executive Director and a trustee of the John M. Olin Foundation for seven years. Mr. Joyce is also a trustee of the Pinkerton Foundation, the Lehrman Institute, the Institute for Educational Affairs and a member of the Advisory Panel of the Conference Board of Associated Research Councils.

RICHARD A. BEMIS - Mr. Bemis has been a director of the Company since January 1990 and a member of its compensation committee since March 1990. Mr. Bemis is President and CEO of Bemis Manufacturing Company, a manufacturer of molded plastic products in Sheboygan Falls, Wisconsin. He is also a director of Wisconsin Public Service Corporation.

FRANK W. HARRIS - Dr. Harris has been a Director of the Company since November 1991. Dr. Harris is a Professor of Polymer Science and Biomedical Engineering in the Institute of Polymer Science at the University of Akron, and has been on its faculty since 1983. Dr. Harris is also a director of Ballard Advance Materials.

GARY E. NEI - Mr. Nei has been a Director of the Company since November 1992. Mr. Nei is President and CEO of Eon Laboratories, Inc., a manufacturer and distributor of pharmaceuticals in Lake Forest, Illinois. He is also a director of DIFCO Inc.

All directors serve until their respective successors are elected at the next annual meeting of shareholders. Officers serve at the discretion of the Board of Directors. None of the Company's directors or executive officers has any family relationship with any other director or executive officer, except that William H. Brady III is the brother of Elizabeth B. Lurie.

ITEM 11 EXECUTIVE COMPENSATION

The following table summarizes the compensation paid or accrued by the Company during the three fiscal years ended July 31, 1994 to those persons who, as of the end of Fiscal 1994, were the Named Executive Officers.

SUMMARY COMPENSATION TABLE						
Name and Principal Position	Annual Compensation			Long-Term Compensation	All Other	
	Fiscal	Salary	Bonus	Options/SAR	Compensation	Compensation
	Year	(\$)	(\$)	(# of Shares)	(\$)(2)	(\$)(4)
K.M. Hudson	1994	175,000	175,000	-	25,000	400,366(5)
President	1993	-	-	-	-	-
& Chief Executive Officer	1992	-	-	-	-	-
P.G. Gengler	1994	446,667	-	10,084	-	169,975 (6)
Retired	1993	331,250	172,250	6,725	10,000	157,710 (6)
President	1992	316,250	170,775	-	13,000	-
& Chief Executive Officer						
D.P. DeLuca	1994	182,750	127,925	2,825	2,500	18,161 (7)
Senior Vice	1993	174,000	69,426	2,340	2,500	32,151 (7)
President, Treasurer & Chief Financial Officer	1992	166,000	69,720	-	3,500	-
R.L. Fisk	1994	182,577	127,804	3,097	2,500	15,462
Vice President,	1993	173,846	63,280	2,375	2,500	14,421
Direct Marketing	1992	166,000	62,748	-	3,500	-
G.W. Gyllstrom	1994	164,384	110,006	3,511	2,500	12,968
Vice President,	1993	155,962	51,311	2,435	2,500	12,258
Domestic	1992	127,707	76,007	-	2,000	-
T.L. Turner	1994	128,519	83,126	5,954	2,000	9,716
Vice President,	1993	123,154	44,828	3,734	2,000	9,230
Administration	1992	118,988	42,479	-	2,500	-

- (1) Reflects bonus earned during the fiscal year which was paid during the next fiscal year.
- (2) In accordance with SEC transitional rules, amounts have not been included for Fiscal 1992.
- (3) The amounts shown represent costs to the Company for expenses associated with the use of a company car.
- (4) All other compensation for fiscal 1994 for Mrs. Hudson, and Messrs., Gengler, DeLuca, Fisk, Gyllstrom and Turner, respectively, includes: (i) matching contributions to the Company's Profit Sharing and Employee Thrift (i.e. "BradyGold") Plan for each named executive officer of \$13,000, \$18,567, \$14,620, \$14,606, \$12,652, and \$9,082 and (ii) the cost of group term life insurance for each named executive officer of \$660, \$5,608, \$1,022, \$856, \$316 and \$634.

All other compensation for fiscal 1993 for Messrs. Gengler, DeLuca, Fisk, Gyllstrom and Turner, respectively, includes: (i) matching contributions to the Company's Profit Sharing and Employee Thrift (i.e. "BradyGold") Plan for each named executive officer of \$17,752, \$13,920, \$13,858, \$11,997, \$8,652 and (ii) the cost of group term life insurance for each named executive officer of \$4,958, \$931, \$563, \$261, and \$578.

- (5) Includes \$386,706 accrued, but not paid, for the Fiscal 1994

portion of a Supplemental Retirement Plan.

- (6) Fiscal 1994 includes \$145,800 accrued, but not paid, for the current year portion of a Supplemental Executive Retirement Plan. Fiscal 1993 includes \$135,000 accrued, but not paid, for that year's portion of the same Plan.
- (7) Includes relocation expenses of \$2,519 in Fiscal 1994 and \$17,300 in Fiscal 1993.

STOCK OPTIONS

The following tables summarize option grants and exercises during Fiscal 1994 to or by the executive officers named in the Summary Compensation Table above, and the value of unexercised options held by such persons at July 31, 1994. Stock Appreciation Rights are not available under any of the Company's plans.

OPTION GRANTS IN FISCAL 1994

Name	Options Granted (#) (1)	Individual Grants % of Total Options Granted to Employees in Fiscal 1994			Expiration Date
			Exercise Price (2) (\$/Sh)		
K.M. Hudson	25,000	31.9%	\$43.000		01/06/2004
P.G. Gengler	-	-	-		-
D.P. DeLuca	2,500	3.2%	\$36.500		10/28/2003
R.L. Fisk	2,500	3.2%	\$36.500		10/28/2003
G.W. Gyllstrom	2,500	3.2%	\$36.500		10/28/2003
T.L. Turner	2,000	2.6%	\$36.500		10/28/2003

Potential Realizable Value at Assumed Rates of Stock Price Appreciation (3)

Name	0% \$43 (\$)	5% \$70 (\$)	10% \$111 1/2 (\$)
	(4)	(6)	(6)
K.M. Hudson	\$0	\$675,000	\$1,712,500
P.G. Gengler	-	-	-
D.P. DeLuca	\$0	\$ 83,750	\$ 187,500
R.L. Fisk	\$0	\$ 83,750	\$ 187,500
G.W. Gyllstrom	\$0	\$ 83,750	\$ 187,500
T.L. Turner	\$0	\$ 67,000	\$ 150,000

All Shareholders' Gains

(increase in market value of W.H. Brady Co.

Common Stock at assumed rates of stock price

appreciation) (4) (6).....\$147,289,374 \$373,678,597

All Optionees' Gains

(as a percent of all shareholders' gains) (5) (6)...1.67% 1.53%

- (1) The options granted to Mrs. Hudson were dated January 7, 1994 and became exercisable July 7, 1994. The options granted to the other named executives were dated October 29, 1993 and become exercisable as follows: 33 1/3% of the shares on October 29, 1994; 33 1/3% of the shares in October 29, 1995; and 33 1/3% of the shares on October 29, 1996. All these options have a term of ten years.
- (2) The exercise price is the average of the highest and lowest sale prices of the Company's Class A Common Stock as reported by NASDAQ on the date of the grant.
- (3) Represents total potential appreciation of about 0%, 63% and 159% for assumed annual rates of appreciation of 0%, 5% and 10%, respectively, compounded annually for the ten year option term. These calculations are based upon \$43.00 exercise price on options granted to Mrs. Hudson.
- (4) Calculated from the \$43.00 exercise price applicable to the options granted to Mrs. Hudson in fiscal 1994 based on the 5,455,162 shares of Class A Common Stock outstanding on January 7, 1994.
- (5) Represents potential realizable value for all options granted in fiscal 1994 as compared to the increase in market value of W.H. Brady Co. Class A Common Stock at assumed rates of stock price appreciation.
- (6) The Company disavows the ability of any valuation model to predict or estimate the Company's future stock price or to place a reasonably accurate present value on these options because any model depends on assumptions about the stock's future price movement that the Company is unable to predict.

AGGREGATED OPTION EXERCISES IN FISCAL 1994 AND VALUE OF OPTIONS AT END OF FISCAL 1994

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Unexercised Options at July 31, 1994	
			Exercisable (#)	Unexercisable (#)
K.M. Hudson	0	\$ 0	25,000	0
P.G. Gengler	25,000	\$364,688	13,666	4,334
D.P. DeLuca	0	\$ 0	7,167	5,333
R.L. Fisk	0	\$ 0	3,167	5,333

G.W. Gyllstrom	0	\$	0	7,167	4,833
T.L. Turner	4,000	\$	56,500	2,333	4,167

Value of Unexercised
In-the-Money Options
at July 31, 1994 (1)

Name	Exercisable (\$)	Unexercisable (\$)
K.M. Hudson	\$112,500	\$ 0
P.G. Gengler	\$168,592	\$76,658
D.P. DeLuca	\$157,926	\$65,419
R.L. Fisk	\$ 49,926	\$65,419
G.W. Gyllstrom	\$136,738	\$56,575
T.L. Turner	\$ 36,405	\$50,581

(1) Represents the closing price for the Company's Class A Common Stock on July 31, 1994 of \$47.50 less the exercise price for all outstanding exercisable and unexercisable options for which the exercise price is less than such closing price.

COMMON STOCK PRICE PERFORMANCE GRAPH

The graph below shows a comparison of the cumulative return over the last five fiscal years had \$100 been invested at the close of business on July 31, 1989 in each of W.H. Brady Co. Class A Common Stock, the Standard & Poor's (S&P) 500 Index and the National Association of Securities Dealers' Automated Quotation System (NASDAQ) United States Index.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN* W.H. Brady Co. versus Published Indices (S&P 500 and NASDAQ-US)

	1989	1990	1991	1992	1993	1994
Brady	\$100	\$ 96	\$144	\$127	\$131	\$179
S&P 500	\$100	\$105	\$118	\$133	\$145	\$152
NASDAQ US	\$100	\$ 98	\$116	\$136	\$166	\$170

*\$100 invested on 7/31/89 in stock or index.
Includes reinvestment of dividends.
Fiscal year ending July 31.

COMPENSATION OF DIRECTORS

Each director who is also an employee of the Company receives no additional compensation for service on the Board or on any committee of the Board. Directors who are not also employees of the Company receive an annual retainer of \$15,000 in addition to \$1,000 plus expenses for each meeting of the Board or any committee thereof which they attend.

TERMINATION OF EMPLOYMENT ARRANGEMENTS

In Fiscal 1994 the Company created a Supplemental Executive Retirement Plan (SERP) for Mrs. Hudson. The stated amount of the Plan until January 1, 1999 is \$500,000. The Company credited a deferred compensation account with the net present value of the stated amount in January 1994. The account will be credited annually with the current year's increase in the net present value calculation. No interest accrues on the balance in the account until January 1, 1999. After that date, interest will accrue quarterly on the balance in the account at the prime rate in effect at the end of each calendar quarter.

The Company is required to pay Mrs. Hudson the balance in the account over a ten year period beginning January 2009. The first payment will be one-tenth of the balance in the account; the second one-ninth; and so on.

In the event of a change in control of the Company, Mrs. Hudson's SERP may accelerate and become payable in thirty days.

In September 1994, the Company created a Supplemental Executive Retirement Plan (SERP) for Mr. DeLuca. The Plan calls for the Company to credit a deferred compensation account with \$50,000 on July 31 of each year beginning July 31, 1995 to and including July 31, 1999, provided Mr. DeLuca is employed by the Company as of each of those dates. Interest accrues on the balance in the account at the prime rate in effect on July 31 of each year, but not less than 6% nor more than 10% per annum.

The Company is required to pay Mr. DeLuca the balance in the account over a ten year period beginning on August 1 of the year following his termination of employment with the Company. The first payment will be 1/10th of the balance in the account; the second payment will be 1/9th; and so on. The Company may make payments in some other manner provided the payments are neither smaller nor extend beyond such ten year period.

In Fiscal 1992 the Company created a Supplemental Executive Retirement Plan (SERP) for Mr. Gengler, retired President, CEO and Director. The Plan credits a deferred compensation account with \$125,000 each year provided Mr. Gengler is in the employment of the Company as of July 31, 1992, July 31, 1993 and July 31, 1994. If Mr. Gengler is in the employment of the Company as of July 31, 1994 an

additional \$100,000 will be credited to this account on July 31, 1995, July 31, 1996 and July 31, 1997. Mr. Gengler met these requirements. Interest accrues on the balance in the account at the rate of 8% per year.

The Company is required to pay Mr. Gengler the balance in the account over a ten year period beginning August 1, 1997. That payment, and the nine succeeding payments, will equal one-tenth of the account balance at August 1, 1997. Additionally, the payments in succeeding years will include interest credited to the account in the interim. The Company may make payments in some other manner provided the payments are neither smaller nor extend beyond August 1, 2006.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During Fiscal 1994, the Board's Compensation Committee was composed of Messrs. Bemis, Lettenberger and Peirce. None of these persons has at any time been an employee of the Company or any of its subsidiaries, although Mr. Lettenberger has been and remains Secretary of the Company. Mr. Lettenberger is a partner of Quarles & Brady, which is general counsel to the Company. There are no other relationships among the Company's executive officers, members of the Compensation Committee or entities whose executives serve on the Board that require disclosure under applicable SEC regulations.

PROFIT SHARING AND EMPLOYEE THRIFT PLAN

All Brady employees in the United States and certain expatriate employees working for its international subsidiaries are eligible to participate in the Company's Profit Sharing and Employee Thrift Plan (the "BradyGold Plan"). Under this plan the Company agrees to contribute certain amounts to the BradyGold Plan to the extent of current earnings and profits, or, under certain circumstances, accumulated earnings of the Company. Under the BradyGold Plan, the Company first contributes 4% of the eligible earnings of each person covered by the BradyGold Plan. In addition, participants may elect to have their annual pay reduced by up to an additional 4% and to have the amount of this reduction contributed to the BradyGold Plan by the Company and matched by an additional, equal contribution by the Company. Participants may also elect to have their annual pay reduced by up to an additional 4% and to have the amount of this reduction contributed to the BradyGold Plan by the Company (without an additional matching contribution by the Company). The assets of the BradyGold Plan credited to each participant are invested by the BradyGold Plan trustee as directed in several investment funds as permitted by the BradyGold Plan. The annual contributions and forfeitures allocated to any participant under all defined contribution plans may not exceed the lesser of \$30,000 or 25% of the participant's base compensation and bonuses. Benefits are generally payable upon the death, disability, or retirement of the participant or upon termination of employment before although benefits may also be withdrawn from the BradyGold Plan and paid to the participant if required for certain emergencies. Under certain specified circumstances, the BradyGold Plan allows loans to be drawn on a participant's account. The participant is immediately fully vested with respect to the contributions attributable to reductions in pay; all other contributions become fully vested after five years of service.

DEFERRED COMPENSATION ARRANGEMENTS

Directors, executive officers, corporate staff officers and certain key management employees of the Company are permitted to defer portions of their fees, salary and bonus and to invest the deferred amounts in "phantom stock" of the Company. "Phantom Stock" is not actual stock or rights to acquire stock in the Company, but it gives participants the right to share in increases in book value (as defined) of the common stock. At the end of each fiscal year, the deferred compensation balance (with interest) is credited to the purchase of phantom common stock at the then book value of the common stock of the Company, and is thereafter adjusted to reflect stock dividends and other dividends or distributions on the Company's Class A Common Stock.

Upon the retirement, disability, or death of participant, the Company is required to pay, each year for a period of ten years, a portion of the book value of the phantom stock determined by the book value of the corresponding number of common shares as of the end of each fiscal year. The first payment must be one-tenth of the book value; the second one-ninth; and so on, with the number of phantom shares reduced by the equivalent in book value of each payment.

If the participant's employment ends for reasons other than his retirement, disability or death, the book value of his phantom stock will be determined as of the end of the fiscal year following his termination of employment and he will receive one-tenth of such amount each year for a period of ten years, plus interest at a rate 2% less than the Company's short-term borrowing rate. At the request of the participant, the Company may make payments in larger installments or in a lump sum on a discounted or other basis.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Company's Compensation Committee (the "Committee") is composed entirely of outside directors and is responsible for considering and approving compensation arrangements for senior management of the Company, including the Company's executive officers and the chief executive officer. It is the philosophy of the Committee to establish a total executive compensation program which is competitive with a broad range of companies that it considers to be of comparable size and complexity.

The primary components of the Company's executive compensation program are (i) base salary, (ii) annual cash incentive compensation bonuses and (iii) long term incentive compensation in the form of stock options. These are designed to align shareholder and management

interests, to balance the achievement of annual performance targets with actions that focus on the long-term success of the Company, and to attract, motivate and retain key executives who are important to the continued success of the Company. Decisions made by the Committee relating to the base salary compensation and the annual cash incentive compensation plan are reviewed and approved by the full Board of Directors.

The Committee believes that:

- The Company's pay levels are appropriately targeted to attract and retain key executives;
- The Company's incentive plan provides strong incentives for management to increase shareholder value; and
- The Company's total executive compensation program is a cost-effective strategy to increase shareholder value.

BASE SALARY

Consistent with the Committee's philosophy, base salaries are generally maintained at or modestly above competitive base salary levels. Competitive salary level is defined as the average base salary for similar responsibilities in a group of companies selected by the Committee that the Committee considers to be of comparable size and complexity. In setting base salaries for Fiscal 1994, the Committee reviewed compensation survey data and was satisfied that the base salary levels set would achieve the Company's objectives. Specific increases reflect the Committee's subjective evaluation of individual performance.

ANNUAL INCENTIVE COMPENSATION

The Incentive Compensation Plan (the "Bonus Plan") provides for the annual payment of cash bonuses. When viewed together with the Company's base salary, the purpose of the Bonus Plan is to provide a balance between fixed compensation and variable, results-oriented compensation. The Bonus Plan is designed to reward superior results and performance with superior compensation. The Bonus Plan has both an objective and subjective element. Components of the objective element include the Company's profitability and sales growth. Components of the subjective element include the achievement of certain agreed upon individual goals.

STOCK OPTIONS

In 1989 the Board approved the W.H. Brady Co. 1989 Non-Qualified Stock Option Plan (the "Option Plan") under which 500,000 shares of Class A Non-Voting Common Stock are available for grant. The Option Plan assists executive officers, corporate staff officers and key management employees in becoming shareholders with an important stake in the Company's future, aligning their personal financial interest with that of all shareholders. Stock options are typically granted annually and have a term of ten years. Generally the options become one-third exercisable one year after the date of the grant and one-third additional in each of the succeeding two years so that at the end of three years after the date of the grant they are fully exercisable. All grants under the Option Plan are at market price on the date of the grant and have value only if the price of W.H. Brady Co. Class A Common Stock, after the vesting requirement passes, has increased to a greater value than at the grant date.

COMPLIANCE WITH NEW TAX REGULATIONS REGARDING EXECUTIVE COMPENSATION

Section 162(m) of the Internal Revenue Code, added by the Omnibus Budget Reconciliation Act of 1993, generally disallows a tax deduction to public companies for compensation over \$1 million paid to the corporation's chief executive officer and the other named executive officers. Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. The Company's executive compensation program, as currently constructed, is not likely to generate non-deductible compensation in excess of these limits. The Compensation Committee will continue to review these evolving tax regulations as they apply to the Company's executive compensation program. It is the Compensation Committee's intent to preserve the deductibility of executive compensation to the extent reasonably practicable and to the extent consistent with its other compensation objectives.

COMPENSATION OF THE CHIEF EXECUTIVE OFFICER

Mrs. Hudson received \$175,000 in base salary from January 1, 1994 through the end of the fiscal year. She was paid a bonus attributable to Fiscal 1994 of \$175,000. Mrs. Hudson was awarded the maximum bonus because certain objective sales growth and profitability goals were met, as well as criteria for the subjective portion of the bonus including:

- (i) re-energizing the Company to drive growth and global expansion
- (ii) increasing cross-divisional cooperation and teamwork
- (iii) continuing emphasis on earnings while refocusing on asset utilization
- (iv) facilitating the Company's long-range strategic planning

Included in the terms of Mrs. Hudson's employment offer was a granting of options to purchase 25,000 shares of Class A Common Stock.

Although he retired in December 1993, base salary was owed to Mr. Gengler for the entire fiscal year. Mr. Gengler received \$307,084 in base salary in Fiscal 1994. In addition, \$139,583 base salary owed to Mr. Gengler for the period August 1994 to December 1994 was accelerated and paid in July 1994. Mr. Gengler did not receive a bonus in Fiscal 1994. No stock option grants were awarded to Mr. Gengler in Fiscal 1994.

The Committee believes these awards are consistent with the objectives of the various plans and with the overall compensation policy of the Board of Directors.

* * * * *

The Compensation Committee believes the executive compensation programs and practices described above are competitive. They are designed to provide increased compensation with improved financial results and provide additional opportunity for capital accumulation, but only if shareholder value is increased.

Peter J. Lettenberger, Chairman
Richard A. Bemis
Roger D. Peirce

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners

The following table sets forth the current beneficial ownership of shareholders who are known by the Company to own five percent (5%) of any class of the Company's voting shares on September 30, 1994.

Title of Class	Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Ownership
Class B Common Stock	William H. Brady, Jr.(1) Marital Trust c/o Quarles & Brady Attn: Peter J. Lettenberger 411 East Wisconsin Avenue Milwaukee, WI 53202	1,574,866	89%
	William H. Brady, Jr.(1) Non-QTIP Marital Trust c/o Quarles & Brady Attn: Peter J. Lettenberger 411 East Wisconsin Avenue Milwaukee, WI 53202	194,448	11%

The trustees of both trusts are Robert C. Buchanan, Irene B. Brady, Roger D. Pierce, Peter J. Lettenberger, and Michael S. Joyce, each of whom shares voting and dispositive power. The vested beneficiary is Irene B. Brady; the contingent remainder beneficiaries are William H. Brady, III and Elizabeth B. Lurie.

(b) Security Ownership of Management

The following table sets forth the current beneficial ownership of each class of equity securities of the Company by each Director or Nominee and by all Directors and Officers of the Company as a group as of September 30, 1994. Except as otherwise indicated, all shares are owned directly.

Title of	Name of Beneficial Owner & Nature of Beneficial Ownership	Amount of Beneficial Ownership	Percent of Ownership
Class A Common Stock	Peter J. Lettenberger (1)(2)(3)	1,109,940	20.3%
	Robert C. Buchanan (1)(4)	848,681	15.5%
	Roger D. Peirce (1)	848,431	15.5%
	Michael S. Joyce (1)	848,431	15.5%
	Elizabeth B. Lurie (2)(5)	568,415	10.4%
	William H. Brady III (6)	345,824	6.3%
	Katherine M. Hudson (7)	25,013	0.5%
	Paul G. Gengler (8)	14,486	0.3%
	Richard A. Bemis	500	*
	Gary R. Nei	500	*
	All Officers and Directors as a Group (19 persons)(9)	1,843,839	33.7%
Class B Common Stock	Peter J. Lettenberger (1)	1,769,314	100%
	Robert C. Buchanan (1)	1,769,314	100%
	Roger D. Peirce (1)	1,769,314	100%
	Michael S. Joyce (1)	1,769,314	100%
	All Officers and Directors as a Group	1,769,314	100%
6% Cumulative Preferred Stock	Peter J. Lettenberger (1)(2)	2,751	69.1%
	Robert C. Buchanan (1)	1,920	48.2%
	Roger D. Peirce (1)	1,920	48.2%
	Michael S. Joyce (1)	1,920	48.2%
	Elizabeth B. Lurie (2)(5)	1,066	26.8%
	William H. Brady III (2)(6)	998	25.1%
	All Officers and Directors as a Group	3,221	80.8%
1979 Series Cumulative Preferred	William H. Brady III (2)(6)	8,071	36.7%
	Elizabeth B. Lurie (2)(5)	8,071	36.7%
	Peter J. Lettenberger (2)	5,529	25.2%
	All Officers and Directors as a Group	10,613	38.3%
6% Cumulative Preferred Stock, 1972 Series	Peter J. Lettenberger (2)	2,600	100%
	Elizabeth B. Lurie (2)	2,600	100%
	William H. Brady III (2)	2,600	100%
	All Officers and Directors as a Group (2)	2,600	100%

* Indicates less than one tenth of one percent.

(1) The amount shown includes shares held directly by the William H. Brady, Jr. Marital Trust (the "Marital Trust") and the William H. Brady, Jr. Non-QTIP Marital Trust (the "Non-QTIP Trust")(collectively, the "Trusts"). The Marital Trust owns 687,781 shares of Class A Common Stock, 1,574,866 shares of Class B Common Stock, and 1,709 shares of 6% Cumulative Preferred Stock. The Non-QTIP Trust owns 160,650 shares of Class A Common Stock, 194,448 shares of Class B Common Stock, and 211 shares of 6% Cumulative Preferred Stock. The Trustees of both Trusts are Robert C. Buchanan, Irene B. Brady, Roger D. Peirce, Peter J. Lettenberger, and Michael S. Joyce, each of whom shares voting and dispositive power. All of the Trustees except Mrs. Brady disclaim beneficial ownership of these shares. Irene B. Brady is the widow of William H. Brady, Jr. and the vested beneficiary of the Trusts; she is the parent of William H. Brady, III and Elizabeth Brady Lurie (who are contingent remainder beneficiaries of the Trusts) and the grandparent of Elizabeth Irene Pungello.

(2) William H. Brady III, Elizabeth B. Lurie and Peter J. Lettenberger are among the directors of the W.H. Brady Foundation, Inc. (the "Foundation") which owns 5,529 shares of the 1979 Series, Cumulative Stock, 763 shares of the 6% Cumulative Preferred Stock and 2,600 shares of the 6% Cumulative Preferred Stock, 1972 Series. Mr. Lettenberger and Mrs. Lurie are also trustees of the Irene B. Brady Revocable Trust of 1986 (the "1986 Trust"), which owns 259,941 shares of Class A Common Stock and 68 shares of 6% Cumulative Preferred Stock. All such persons disclaim beneficial ownership of shares held by the Foundation and the 1986 Trust.

(3) In addition to shares beneficially owned as a trustee of the Trusts and the 1986 Trust and as a director of the Foundation, Mr. Lettenberger owns directly 1,567.5 shares of Class A Common Stock.

(4) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Buchanan owns directly 250 shares of Class A Common Stock.

(5) In addition to the shares owned as a trustee of the 1986 Trust and as a director of the Foundation, Mrs. Lurie owns directly 145,740 shares of Class A Common Stock, or 2.7% of the number of such shares outstanding, 235 shares of 6% Cumulative Preferred Stock and 2,542 shares of 1979 Series Preferred Stock. She is the mother of Elizabeth Irene Pungello, who is the beneficiary of the Elizabeth Irene Pungello Irrevocable Trust (the trustees of which are Nicholas M. Daniels and Shy Lurie, Mrs. Lurie's husband) which owns 162,734 shares of the Class A Common Stock, or 3.0% of the number of such shares outstanding. She disclaims ownership of these shares.

(6) In addition to shares owned as a director of the Foundation, Mr. Brady owns 345,824 shares of Class A Common Stock, 235 shares of 6% Cumulative Preferred Stock, and 2,542 shares of 1979 Series Cumulative Stock.

(7) Mrs. Hudson owns 12.8427 shares of Class A Common Stock indirectly through an employee benefit plan and holds a vested option to acquire an additional 25,000 shares of Class A Common Stock.

(8) Mr. Gengler owns 520 shares of Class A Common Stock directly and his spouse owns 300 shares of Class A Common Stock. He also beneficially owns 13,666 shares of Class A Common Stock through vested options. He holds options for an additional 4,334 shares of Class A Common Stock that fully vest by October 1995.

(9) The amount shown for all officers and directors as a group (19 persons) includes options to acquire a total of 73,566 shares of Class A Common Stock which are currently exercisable or will be exercisable within 60 days. It does not include other options for Class A Common Stock which have been granted but vest over the next three years.

(c) Changes in Control

No arrangements are known to the Company which may, at a subsequent date, result in a change in control of the Company.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Under terms of an employment agreement with William H. Brady, Jr., the Company paid approximately \$24,000 to Mr. Brady's beneficiaries in 1994. No further liabilities exist under the terms of this agreement.

PART IV

ITEM 14 EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

- 1) The consolidated financial statements, together with the independent Auditors' Report thereon of Deloitte & Touche LLP, presented on Pages 23 through 35 of the Company's 1994 Annual Report is incorporated herein by reference.

2) Consolidated Financial Statement Schedules--

Schedule IV	Indebtedness to Related Parties - Not Current
Schedule V	Property, Plant and Equipment
Schedule VI	Accumulated Depreciation and Amortization of Property, Plant and Equipment
Schedule VIII	Valuation and Qualifying Accounts
Schedule X	Supplementary Income Statement Information

Independent Auditors' Report on Financial Statement Schedules

All other schedules are omitted as they are not required, or

the required information is shown in the consolidated financial statements or notes thereto.

3) Exhibits

- 3.1(1) Restated Articles of Incorporation of W.H. Brady Co.
- 3.2(2) By-laws of W.H. Brady Co., as amended.
- 10.1(1) Employment Agreement dated November 3, 1975, between W.H. Brady Co. and William H. Brady, Jr.
- 10.2(2) W.H. Brady Co. Four Square Plan, as amended.
- 10.3(2) Executive Additional Compensation Plan, as amended.
- 10.4(2) Form of Executive's Deferred Compensation Agreement, as amended.
- 10.5(2) Forms of Director's Deferred Compensation Agreement, as amended.
- 10.6(4) W.H. Brady Co. 1989 Non-Qualified Stock Option Plan.
- 10.7 Incentive Compensation Plan.
- 10.8(4) Supplemental Executive Retirement Plan dated March 27, 1992 between W.H. Brady Co. and Paul Gengler.
- 10.9(4) W.H. Brady Co. Automatic Dividend Reinvestment Plan.
- 10.10 Supplemental Executive Retirement Plan between W.H. Brady Co. and Katherine M. Hudson
- 10.11 Supplemental Executive Retirement Plan dated September 23, 1994 between W.H. Brady Co. and Donald P. DeLuca.
- 13.1 Annual Report to Shareholders for year ended July 31, 1994.
- 18.1(3) Letter regarding change in accounting method.
- 22.1 Subsidiaries of W.H. Brady Co.
- 23.1 Consent of Deloitte & Touche LLP, Independent Auditor.

- (1) Incorporated by reference to Registrant's Registration Statement No. 2-91287 on Form S-1.
- (2) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1989.
- (3) Incorporated by reference to Exhibit 18 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 1989.
- (4) Incorporated by reference to Registrant's Annual Report on form 10-K for the Fiscal year ended July 31, 1992.

W.H. BRADY CO. AND SUBSIDIARIES

SCHEDULE IV - INDEBTEDNESS TO RELATED PARTIES - NOT CURRENT

Category	Balance at Beginning of Period	Additions to Indebtedness (Dollars in Thousands)	Reductions of Indebtedness	Balance at End of Period
Year ended July 31, 1992:				
Management	\$11945	\$2261	\$1285	\$12921
Directors	2257	319	203	2373
Trustees	56	0	22	34
Former Chairman	111	0	71	40
Total	\$14369	\$2580	\$1581	\$15368
Year ended July 31, 1993:				
Management	\$12921	\$1179	\$1532	\$12568
Directors	2373	525	506	2392
Trustees	34	0	16	18
Former Chairman	40	0	16	24
Total	\$15368	\$1704	\$2070	\$15002
Year ended July 31, 1994:				
Management	\$12568	\$2468	\$1775	\$13261
Directors	2392	349	207	2534
Trustees	18	0	18	0

Former Chairman	24	0	24	0
Total	\$15002	\$2817	\$2024	\$15795

Note: The indebtedness represents amounts due under different deferred compensation plans.

Reductions of indebtedness are payments to retired or deceased participants of the various categories.

W.H. BRADY CO. AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

Classification (3)	Bal. at Beginning of Period	Additions At Cost	Retire-ments	Other Deduc-tions(4)	Bal. at End of Period
		(Dollars	in thousands)		

Year Ended July 31, 1992:

Land	\$ 2967	\$ 2243	\$ (1)		\$ 5211
Buildings & Improvements	28770	8533	(437)		37740
Machinery & Equipment	56980	14820	1946	\$3875	65979
Construction in Progress	11104	(1522)	(317)		9899
	\$ 99821	\$24074	\$ 1191(1)(2)	\$3875	\$118829

Year Ended July 31, 1993:

Land	\$ 5211	--	\$ 547		\$ 4664
Buildings & Improvements	37740	\$ 4544	4811		37473
Machinery & Equipment	65979	13773	10950		68802
Construction in Progress	9899	(6037)	55		3807
	\$118829	\$12280	\$16363 (1)(2)		\$114746

Year Ended July 31, 1994:

Land	\$ 4664	--	\$ (25)		4689
Buildings & Improvements	37473	\$ 666	(292)		38431
Machinery & Equipment	68802	8661	4887		72576
Construction in Progress	3807	(2861)	7		939
	\$114746	\$ 6466	\$ 4577 (2)		\$116635

- (1) Includes \$1,199 (1992) and \$13,873 (1993) of retirements due to sale of business units.
- (2) Includes foreign currency translation adjustments of \$(1,607)(1992), \$2,535 (1993) and \$(971)(1994).
- (3) Cost is being depreciated using the straight line method over the estimated useful lives, which range as follows:

Buildings & Improvements	10 to 40 years
Machinery & Equipment	3 to 10 years
- (4) Nonrecurring charge - See Note 2 to the Consolidated Financial Statements.

W.H. BRADY CO. AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Classification	Bal. at Beginning Of Period	Additions Charged to Costs and Expenses	Retire-ments	Bal. at End of Period
		(Dollars in Thousands)		

Year Ended July 31, 1992:

Buildings & Improvements	\$10616	\$1095	\$ 11	\$11700
Machinery & Equipment	29817	7355	1510	35662
	\$40433	\$8450	\$1521 (1)(2)	\$47362

Year Ended July 31, 1993:

Buildings & Improvements	\$11700	\$1356	\$1036	\$12020
Machinery & Equipment	35662	8492	8790	35364
	\$47362	\$9848	\$9826 (1)(2)	\$47384

Year Ended July 31, 1994:

Buildings & Improvements	\$12020	\$1321	\$ (58)	\$13399
Machinery & Equipment	35364	8004	4475	38893
	\$47384	\$9325	\$4417 (1)	\$52292

- (1) Includes foreign currency translation adjustments of \$(876)(1992), \$1,329 (1993) and \$(371)(1994).
- (2) Includes \$1,103 (1992) and \$5,486 (1993) of retirements due to sale of business units.

W.H. BRADY CO. AND SUBSIDIARIES

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

Year ended July 31,
1992 1993 1994

(Dollars in Thousands)

Corporate Profile

W.H. Brady Co. manufactures and markets coated films and industrial identification products.

Headquartered in Milwaukee, Wisconsin, the 81-year-old Company has operations worldwide.

Driving the Company is its focus on quality, innovation and performance in all it does. Using total-quality-assurance methods, extensive research and development resources and people committed to doing their best and improving their best, Brady is a leader in its markets.

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Financial Highlights

(Dollars in Thousands, Except Per Share Amounts)	1994	1993	Percent Increase (Decrease)
Net sales	\$255,841	\$242,970	5.3%
Income before income taxes	\$29,902	\$25,829	15.8%
Pre-tax profit margin	11.7%	10.6%	
Net income	\$18,540	\$16,856	10.0%
After-tax profit margin	7.2%	6.9%	
Return on average stockholders' investment	13.6%	13.6%	
Net income per Common Share			
Class A Nonvoting	\$2.55	\$2.33	
Class B Voting	\$2.45	\$2.23	
Working capital	\$100,023	\$77,943	28.3%
Stockholders' investment	\$145,129	\$128,068	13.3%
Research and development	\$10,318	\$12,132	(15.0%)
Capital expenditures	\$6,466	\$12,280	(47.3%)
Depreciation and amortization	\$9,435	\$10,173	(7.3%)

President's Letter

Since joining W.H. Brady Co. in January 1994, I've gotten to know our Company very well-from our people and processes to our products and customers. I'm pleased to report that Brady is in a strong competitive position.

Fiscal 1994 was a record year for us financially. And our efforts in process improvement, cost reduction, increased teamwork and new product development should help us continue to improve.

Record Financial Results. Sales for the year ended July 31, 1994, increased to \$255,841,000 from the prior year's sales of \$242,970,000, a 5.3-percent increase. On a more comparable basis, sales increased 11.5 percent, as last year's sales included revenues of \$13.5 million from three divested units.

Net income for fiscal 1994 was \$18,540,000 or \$2.55 per share, up 10 percent from \$16,856,000 or \$2.33 per share in 1993. Excluding the financial impact of divested units in 1993, net income rose 15.9 percent. Net income for 1994 was affected by a higher net effective tax rate of 38.0 percent. The prior year's 34.7-percent rate was lower due to the reversal of previously accrued income taxes for potential tax liabilities settled in favor of the Company.

Sales for the fourth quarter were \$66,209,000, an 8.6-percent increase over sales of \$60,963,000 for the previous year.

Net income for the fourth quarter was \$4,936,000 or \$0.67 per share, compared to \$5,901,000 or \$0.81 per share for the previous year. The prior year's net income included \$1,472,000 or \$0.20 per share of onetime gains related to divestitures and tax-related issues. Excluding these effects, net income was up 11.4 percent in the fourth quarter over the previous year's fourth quarter.

All three operating groups posted sales increases for the year, with our international subsidiaries showing excellent growth. International sales now account for 37.1 percent of total sales, up from 32.0 percent last year.

Operations Review. Our European operations showed great improvement in 1994. Despite the effects of foreign exchange rates and sluggish European economies, Brady's European sales increased about 20 percent. Sales were especially strong in Belgium, Germany and England.

Keys to the revenue growth for our traditional Brady-European operations were new portable printing systems and customer-printable label products developed within a cohesive European marketing plan. Also we made strides in improving our service to local markets, including cutting lead times and bolstering research and development support through our European Research and Innovation Center in Belgium. Our Seton Direct Marketing Group was strong in Europe due to the addition of new products and expansion of its catalogs. Through its operation in France, Seton began marketing to companies in the Netherlands this year.

Seton's operation in Canada also fared well in fiscal 1994, due to the addition of new products, including an expanded catalog and service improvements. Based in Toronto, Canada, Revere-Seton has begun providing same-day delivery of products to companies in Toronto-a service which has been well received.

Our performance in the U.S. improved, driven by new products. Key contributors were new portable printing systems, tapes, aluminum and plastic signs and regulatory compliance products. Seton is revising its mailing plan and adding more products to its catalog to bolster its U.S. results next year. We expect increased interdivisional cooperation and sharing of resources in the traditional Brady U.S. operations will speed new product development and strengthen our marketing efforts in 1995. The I.D. Pro labeling system, one of the key new products developed in 1994, is expected to do well in 1995 as interest in the electrical market has been high since the product was introduced in the spring of 1994.

Our Asian-Pacific sales, while still relatively small, rose by almost 60 percent due to our efforts in Australia, Japan and Singapore. Brady-Australia's increase was due in large part to our strengthened commitment to the distributor network which we established in fiscal 1993. Our Singapore operation, which was started in fiscal 1992, drove sales increases in all product areas through our investments in increased sales staff and our efforts to market across the region. During the year we introduced new semiconductor tape and reel products to capitalize on the continued rapid growth of the semiconductor market.

Our profitability has also improved. Cost of goods sold as a percent of sales declined as the result of cost-reduction efforts throughout the Company, including process improvements, improved purchasing efforts and teamwork. As an example, in our Industrial Products Division alone there was \$1.3 million in cost reduction from process improvement, yield improvement and supplier programs during the year.

We are also pleased to report three more Brady operations have been registered to the standards of the International Organization for Standardization, Switzerland, this year. This summer W.H. Brady N.V., Belgium, was certified in ISO 9002, the Signmark Division of Brady USA, Inc., was certified in ISO 9001, and the Industrial Products Division of Brady USA, Inc., was certified in ISO 9001. This brings to seven the number of ISO-certified Brady operations. The benefits of the ISO process and certification include improved documentation of procedures in all areas, greater quality awareness and a competitive advantage.

While the Company started the year with three fewer operations, the Brady team was successful in moving the Company well beyond prior- year levels. Looking forward in fiscal 1995, we are focusing on building bridges across divisional lines to better leverage our assets, speed new product introductions and further enhance our service to our customers.

Focus on the Future. We are focusing on three themes at Brady, all of which support long-term value creation for our shareholders:

1) strategic initiatives to create growth, 2) improved asset utilization, and 3) teamwork.

We are measuring our performance based on value creation in excess of our cost of capital. Starting in fiscal 1995, our Company's management incentive compensation program will be tied to the shareholder value created, thus aligning the interests of management and shareholders. We will make decisions which maximize our Company's long-term success.

In fiscal 1995 we are working to do more where we are and to extend our reach globally. Seton will increase its number of mailings to Holland and will also begin selling to companies in Belgium, Switzerland, Austria, Denmark and Italy. Teamwork throughout the Company will play a key part in these efforts. Traditional Brady divisions and Seton together are expanding efforts in Italy and Australia and looking at opportunities in Latin America and the Far East.

It's been a great year for W.H. Brady Co. and a great one for me, too. The Company is in excellent financial shape. We have a great line of high-performance identification, safety and specialty tape products serving thousands of companies worldwide. And we have a truly outstanding team of people at Brady who will take the Company forward with new products, improved service and processes and new markets with an ever-present focus on shareholder value creation.

Katherine M. Hudson
President and Chief Executive Officer
October 1994

INNOVATION

Since it was founded in 1914, W.H. Brady Co. has been serving an ever-widening customer base. Innovation plays a large part in that growth and success. As customers' needs for identification or tape products or printing systems change, Brady is there with products and services to meet those needs.

BOEING
Sticking Together
Chemistry

Boeing Company, U.S.A. Boeing, the leading manufacturer of aircraft, has been a Brady customer for more than 15 years. Boeing has depended on Brady's custom-engineered wire-identification products to label the wiring throughout its airplanes-from the cockpit's electrical controls to the engines' wiring. Brady's products withstand tremendous heat, crystallizing cold, and the deteriorating effects of grease, hydraulic fluid and aircraft fuel to maintain legible identification.

As Boeing has grown, so has its industrial identification needs. W.H. Brady Co. has been there working hand in hand with Boeing engineers developing innovative products to meet those changing needs.

Brady's printable fluid-line tape was created specifically to satisfy Boeing's needs for labeling aircraft hydraulic lines and fuel lines. The tape withstands a variety of oils and chemicals including Skydrol, a harsh chemical used in hydraulic fluid.

The newest of Boeing's family, the 777 jet, has also benefited from the teamwork of Boeing engineering and Brady's innovation. The 777 development utilized the most advanced design technology available. And it incorporated Brady's state-of-the-art printing and adhesive chemistry products, helping Boeing cut production time and cost and improve manufacturing flexibility.

(Photo cutline: Boeing uses Brady identification products to label thousands of wiring, hydraulic and fuel lines throughout its airplanes.)

IBM
Meeting the Challenge
Specifications

IBM, Toronto, Canada. When IBM needed the world's thinnest label for PCMCIA (Personal Computer Memory Card International Association) card identification, it called on Brady and Brady responded.

PCMCIA cards are each the size of a credit card and provide additional features and capabilities for portable and personal computers. The cards were developed by IBM Canada Ltd. in Toronto and are manufactured at its wholly-owned subsidiary, Celestica Inc., Toronto.

While standard labels in the industry are between 3.5 mils and 20 mils in thickness, IBM needed a label with a total thickness of 2 mils (two-thousandths of an inch) or less to identify the cards.

Brady representatives from Canada and Milwaukee worked together to address processing, printing, adhesion, materials and other IBM specifications in the project. The solution: a subsurface-printable system including an adhesive that would bind permanently at 0.5 mils thickness and a compatible ink and ultra-thin base material.

"We had to make several enhancements and modifications to our print line and finishing line to ensure a high-quality printed product for our customer," said Ed Wright, general manager of Brady-Canada. "The end result was a success."

In fiscal 1994 Brady-Canada began reaching beyond its region into other possible markets for the ultra-thin label. "We originally developed the product as a one-color ultra-thin label for IBM in Canada. We have since expanded the line in addition to expanding sales worldwide," Wright said. In July 1994, W.H. Brady Co. introduced a compact, automatic applicator to be used in conjunction with the ultra-thin labels. The applicator allows customers to cleanly and precisely apply labels to their memory cards on the assembly line. "We merely coupled one outstanding product with another," Wright said.

(Photo cutline: "It was a real team effort between IBM and W.H. Brady to develop this ultra-thin label. Everyone at Brady was extremely responsive to our special labeling requirements," said Al Kerklaan, IBM Development Design Services.)

(Photo cutline: Brady team members from Canada and the U.S. worked together to create an ultra-thin label for IBM PCMCIA cards.)

THOMSON
Taking the Heat
High-Performance

Thomson Consumer Electronics, Marion, Indiana. Thomson Consumer Electronics, a world leader in television manufacturing, produces televisions under the General Electric, RCA and ProScan labels. Searching for a low-cost supplier who could meet its labeling needs for cathode-ray-tube manufacturing, Thomson contacted Brady's Industrial Products Division.

Thomson needed a product that could survive the CRT manufacturing process including exposure to harsh chemicals and temperatures of more than 400 degrees Celsius. The product had to be flexible, maintain a color or whiteness, perform with low particle emission and be absent of contaminants harmful to CRT functionality. Brady technical service representatives worked closely with Thomson's imaging technology and engineering team to develop a line of products to meet these needs. Brady's high-temperature labels are pressure sensitive, adhere to glass and a variety of metal surfaces and withstand acidic and alkaline substances and extremely high temperatures.

At Thomson's small-television manufacturing plant, Brady's XB-521 high-temperature labels are used as position markers to help in manual operations. The labels, in various colors and shapes, are used to identify the top of the glass panel. By using the markers, Thomson reduces chances of panel rotation and other mistakes that wouldn't show up until the final half of the manufacturing process.

In Thomson's highly automated large-set manufacturing plant, Thomson uses Brady's XB-520 high-temperature barcode labels. These machine-read

Labels identify the top of the glass panels for the 31-inch and 35-inch televisions and contain information about the date, time and shift every CRT is produced. The labels allow managers to track product quality and to identify when and where problems occur.

(Photo cutline: "Basically, we had a reverse engineering situation. We simply told Brady what the labels had to do," said Barry Snitzer, Thomson Consumer Electronics, Senior Member, Technical Staff.)

(Photo cutline: Brady-engineered barcode labels withstand exposure to the chemicals and extreme heat inherent in Thomson's CRT manufacturing process.)

SEMCO
Friendly Foil
Research

Semco, Incorporated, U.S.A. When SEMCO, a leading manufacturer of cooling systems, embarked on developing next- generation air-conditioning technology, it looked to W.H. Brady Co.'s Coated Products Division as its coating expert.

In 1990, SEMCO set out to expand its desiccant-based technologies and convert from solvent-based to environmentally friendly water-based coatings. "Brady not only produced pressure-sensitive materials, but also offered custom coating services, including water-based coating," said Gary Mills, SEMCO purchasing manager. "Brady's extensive coating experience along with its strengths in research and development and reputation for high-quality coating made Brady the perfect partner in this project." Brady development chemists and process engineers worked closely with SEMCO personnel to develop a desiccant and water- based formulation which could be coated onto aluminum foil at Brady to provide increased absorbency, consistency and high durability as part of temperature- and moisture-stabilizing air-handling units. SEMCO forms the desiccant-coated aluminum foil into a wheel, up to 14 feet in diameter. This wheel is integral to the air-control system, as it extracts moisture from the air, reducing relative humidity and air temperature.

"The development has been a success," Mills said. "This new water-based coating is not only better for the environment, but it is also proving to outperform solvent coating formulations, from the standpoint of efficiency as well as overall quality."

Expanding on this success, SEMCO began pilot installations in 1994 introducing desiccant-based cooling systems. This new product is capable of augmenting and even replacing freon-based methods of cooling.

SEMCO and Brady continue with their search for better materials and their applications in the heating, ventilating and air conditioning industry. Through the research capability of Brady and the marketing strength of SEMCO, more safe, effective and environmentally responsible products find their way to market.

(Photo cutline: Brady applies a water-based desiccant coating to aluminum foil for SEMCO's environmentally friendly cooling systems.)

(Photo cutline: "Tapping Brady's coating expertise, we have developed high-performance cooling systems using wheels as small as 12 inches in diameter, expanding desiccant's cooling availability to the residential as well as commercial and industrial markets," commented Gary Mills, SEMCO, Inc.)

DYNA-CRAFT
The Leading Edge
Precision

Dyna-Craft, Inc., U.S.A. When Dyna-Craft needed an improved tape system for its leadframe manufacturing, Brady applied its expertise in coating and converting to develop the solution.

Dyna-Craft leadframes are used by semiconductor companies to connect the leads from a silicon chip to an external circuit. A leadframe's leads must be precisely and accurately positioned to make the needed connection with the silicon chip. To ensure that correct positioning is maintained even through handling and processing, Dyna-Craft needed a high- performance tape which it could apply to the leads during manufacturing to stabilize and reinforce them.

Tape requirements included high bond strength, extremely high purity and resistance to the effects of humidity and heat. It also had to be easily integrated into Dyna-Craft's manufacturing line, be compatible with many leadframe styles and be economical.

Chemists and materials scientists at Brady developed a tape meeting Dyna-Craft's needs. And Brady Coated Products Co.'s clean-room slitting operations ensure the tape's high quality is protected through finishing. "Because the tape becomes encapsulated in an integrated circuit, the tape's purity, chemical, electronic and mechanical properties are essential," said Cyndie Arretche, Dyna-Craft purchasing manager.

(Photo cutline: Researchers at Brady developed a high-performance tape used by DCI in the manufacture of its leadframes--specialized frameworks used by the semiconductor industry to connect the leads from a silicon chip to an external circuit.)

(Photo cutline: "Brady's leadframe tape has proven to be an excellent product in helping us ensure total quality of our leadframes," said Cyndie Arretche, Dyna-Craft.)

SERVICE

W.H. Brady Co. realizes that meeting our customers' needs requires more than high-quality products; it also requires exceptional service.

PCA
Paper Chase

Coordination

Packaging Corporation of America, U.S.A. To help companies keep up with changing governmental regulations and provide a safe workplace, Brady offers a full safety identification product line including signs, labels, tags, lockout/tagout devices and other products.

But Brady takes its customer focus even further, Brady's Signmark Division offers turnkey labeling through its Safety Identification Services group.

In fiscal 1994, Packaging Corporation of America's paper mill in Counce, Tenn., looked to Brady for engineering, production and installation of safety products for its plant. Brady's Pulp and Paper industry Specialist Herb Raschka came up with a workable solution resulting in a cost-effective and professionally identified facility. Brady SIS Coordinator Ray Simonson spent nine weeks at the site, collecting data, ordering products, smoothing out any project problems that arose and keeping the project on schedule. The Brady Customer Service Department and Signmark Manufacturing Cell 140 worked closely to ship product quickly.

For the installation, Brady employees teamed up with six PCA mill employees from the various production departments and 12 college student employees to install 20,000 pipemarkers and 800 tank signs at the plant.

Near the end of the project, Brady sponsored a picnic to thank the PCA employees for their hard work.

(Photo cutline: "Line and tank identification is a very important element of the safety program at Counce. Proper knowledge of the tank or line content assures the correct safety precautions are taken prior to working on the mill systems," remarked Joe Milligan, PCA Maintenance Department.)

(Photo cutline: Brady and PCA employees joined forces to install pipemarkers and signs at a PCA paper mill.)

PEPSICO Shaping Up, Shipping Out Integration

PepsiCo Food Systems Worldwide, Milwaukee, Wisconsin. Meeting customers' needs requires more than high-quality products; it also requires exceptional service. For PepsiCo Food Systems Worldwide's Milwaukee distribution center, Brady helped integrate its barcode labels, software and printing systems with the PFS information system to support their warehouse-automation efforts.

"By barcode-labeling boxes in the warehouse, we direct an item to go to a particular Taco Bell, Pizza Hut, KFC or Hot'n Now restaurant in our seven-state Midwestern region," said Ellen Moodie, senior operations manager in Milwaukee for PFS, a division of PepsiCo, Inc. "We use about 8,000 barcode labels a day."

Warehouse specialists pick a box (containing hot sauce, oil, cups, napkins or other dry goods), label it and place it on a multi-tiered conveyor system. Further down the line, an automatic barcode scanner reads the box's label and diverts the box-based on the information contained in the barcode to the correct semitrailer. The automated system has added flexibility, increased efficiency and improved accuracy.

"Brady was very supportive of our efforts," Moodie said. "An applications engineer from Brady's Auto ID Group dissected our label information on our computer system and customized a software program for us which enabled us to print barcodes. Brady also designed a custom label format for our process and provided us with printers that met our needs of durability and high-quality printing."

Brady is working with a second PFS distribution center to set up a similar program.

(Photo cutline: "Our Brady contacts served as partners with us in this project. They helped us come up with a solution that would work and then stayed on to implement and maintain it. Throughout the whole process Brady has been there to provide us with the service we need," said Ellen Moodie, PepsiCo Food Systems.)

(Photo cutline: PepsiCo Food Systems Worldwide's Milwaukee distribution center found the support it needed for its warehouse-automation efforts: Brady integrated barcode labels, software and printing systems to enable more efficient order routing.

AMG Rapid Response Just-in-Time

AMG Industries, Inc., Queensbury, N.Y. Seton Name Plate Co., Branford, Conn., the direct-marketing subsidiary of W.H. Brady Co., recently began using "just-in-time" manufacturing techniques as part of its continuous improvement process. The results have been reduced inventory and shorter lead times.

AMG Industries, Inc. was one of Seton's first customers to benefit from improved lead times. AMG, a nationwide original equipment manufacturer and general contractor, purchases pipemarkers, engraved plates and valve tags to use at construction sites.

When AMG Project Coordinator Brian Walker placed a rush order for Opti-Code Pressure sensitive pipemarkers in May 1994, he was quoted Seton's then-standard rush lead time of four working days. However, the Seton screen printing team that was to produce the product was operating at a new level.

The team, made up of production art, screen-marking, screen-printing, finishing and machine maintenance employees, had redesigned their areas to optimize work flow, staggered work schedules to ensure job coverage and implemented the use of kanbans to switch from a "push-through" to a "pull-

through" manufacturing strategy. As a result, AMG's order was completed in just two days, with no need for special "rush" handling.

The just-in-time philosophy is one of ongoing continuous improvement. The screen-printing team's current goal is to ship every order within 24 hours.

(Photo cutline: Brady's direct-marketing subsidiary, Seton, uses just-in-time manufacturing techniques to continuously improve its service. The screen printing team, pictured, has cut its lead time in half.)

(Photo cutline: "The turnaround of the order was exceptional. Getting the pipemarkers so quickly helped me do my job, keeping our construction project moving ahead," commented Brian Walker, AMG Project Coordinator.)

GLOBAL REACH

W.H. Brady Co. is committed to global leadership in its markets. With operations in the United States, Canada, Singapore, Japan, Australia, Belgium, England, Germany, France, Sweden, Italy, New Zealand and Hong Kong, Brady continues to strive for optimum effectiveness as a worldwide provider of identification, safety and specialty tape products.

VIDEO AKTUELL

Astonishing Response
Attitude

Video Aktuell GmbH, Limburg, Germany. The Seton-Germany team is justifiably proud of the unsolicited praise they recently received from a valued customer.

Video Aktuell GmbH, along with its German and Austrian partner, Video Ring, is Europe's largest video leasing and sales company. Together these partners supply more than 660 video shops in Germany and about 50 in Austria with video films and equipment as well as compact discs and CD players.

Tommy Neis, general manager of Video Aktuell (and the Baron of Fordyce, Scotland), felt compelled to write a letter to Seton-Germany's sales manager, Susan Joslin, following receipt of some post and chain and sign samples they had ordered.

"We were astonished to receive the goods the following day," Neis wrote. Their next order, placed two weeks later, also received 24-hour turnaround. Neis explained that Seton's service was in marked contrast to the two-week delay that is customary with mail order companies.

In a follow-up phone call, Neis stated that he felt a need to confirm Seton's "positive attitude toward the customer."

(Photo cutline: Supplying video stores in Germany and Austria, Video Aktuell GmbH contacted Seton to order posts and chains (typically used to direct customer traffic). Video Aktuell has no idea that Seton would be so quick to respond and fill its order.)

(Photo cutline: "For such customer service we admire you and thank you very much. Of course we will remain your customer," said Tommy Neis, Video Aktuell GmbH.)

VERBATIM

Worldwide Support
Partnership

Verbatim Corporation, Limerick, Ireland. In fiscal 1994, Brady continued its effort to be the leading supplier to microfloppy disk manufacturers. Verbatim Corporation in Limerick, Ireland, a producer of media-storage products (such as diskettes, tapes and optical disks) for the computer industry, is one of Brady-Europe's largest customers.

"Brady and Verbatim have been doing business since it first made diskettes, 15 years ago," said Terry Mockler, European sales manager for Brady's specialty tape products.

Verbatim purchases Brady's A-rings, double-sided adhesive polyester rings that are used in 3.5-inch microfloppy disks. All the products that Brady produces for Verbatim are custom-made for their specific automated manufacturing equipment.

"Because the diskette-production process runs high volumes at very high speeds and cannot tolerate down time, it is essential that we provide extremely reliable, consistent product," Mockler said.

Brady is the preferred supplier of media-storage component products for Verbatim Corporation worldwide, which includes meeting the needs of its United States, Europe and Mexico manufacturing locations. A Brady support team-including employees in research and development, engineering, customer service and manufacturing-is working in conjunction with Verbatim worldwide on cost reduction and product improvement.

"Brady is a progressive company who through design change and other innovative ideas has maintained a competitive edge in support of the floppy disk industry," said the senior corporate buyer of Verbatim, Charlotte, N.C.

(Photo cutline: Brady and Verbatim have worked together for more than 15 years--with Brady supplying custom-made adhesive-coated polyester rings, critical to Verbatim's worldwide diskette manufacturing operations.)

(Photo cutline: "We have met Verbatim-Ireland's stringent demands for just-in-time deliveries by setting up dedicated warehousing and distribution from our Belgian facility," said Terry Mockler, Brady Europe.)

Brady USA, Inc.

Coated Products Division produces specialized adhesive and top-coated materials.

Industrial Products Division manufactures identification products, industrial labeling and printing systems for customers primarily in electrical and electronic markets.

Signmark Division manufactures products for facility and safety identification-including signs, pipemarkers and lockout devices.

Nameplate Division produces custom-printed faceplates and nameplates for a variety of original equipment manufacturers.

Brady Coated Products Co. produces specialized adhesive products for audio/video, data-storage and semiconductor industries.

Brady Medical Products Co. produces medical dressings for healthcare markets.

Brady International Co. directs Brady's international sales and manufacturing operations located throughout the world.

Seton direct-marketing companies market identification products through operations in the United States, Canada, Germany, France and England. In fiscal 1995, Seton is expanding operations to include Australia and Italy.

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W. H. Brady Co. and Subsidiaries

Selected Financial Information

Years Ended July 31, 1984 through 1994

(Dollars in Thousands, Except Per Share Amounts)

Operating Data	1994	1993	1992	1991
Net Sales	\$255,841	\$242,970	\$235,965	\$211,063
Operating Expenses:				
Cost of products sold	118,116	114,301	110,130	96,797
Research and development	10,318	12,132	10,001	9,176
Selling, general and administrative	97,932	92,449	93,931	84,936
Nonrecurring charges		(1,236)	6,562	
Total operating expenses	226,366	217,646	220,624	190,909
Operating income	29,475	25,324	15,341	20,154
Other income and (expense):				
Investment and other income, net	837	559	239	2,845
Interest expense	(410)	(54)	(219)	(548)
Net other income	427	505	20	2,297
Income before income taxes, extraordinary items and cumulative effect of changes in accounting principles	29,902	25,829	15,361	22,451
Income taxes	11,362	8,973	6,972	7,054
Income before extraordinary item and cumulative effect of changes in accounting principles	18,540	16,856	8,389	15,397
Extraordinary item: Gain on proceeds of officer's life insurance policies, net				
Income before cumulative effect of changes in accounting principles	18,540	16,856	8,389	15,397
Cumulative effect of changes in accounting principles for:				
Postretirement benefits			(3,995)	
Income taxes			661	
Catalog costs				
Net income	\$18,540	\$16,856	\$5,055	\$15,397
Net income per Common Share:				
Class A Nonvoting	\$2.55	\$2.33	\$0.69	\$2.14
Class B Voting	\$2.45	\$2.23	\$0.59	\$2.04
Cash Dividends on:				
Class A Common Stock	\$0.68	\$0.60	\$0.56	\$0.48
Class B Common Stock	\$0.58	\$0.50	\$0.46	\$0.38
Working capital	\$100,023	\$77,636	\$66,093	\$70,883
Total assets	202,509	178,656	173,054	156,812
Long-term debt, less current maturities	1,855	1,978	2,524	1,982
Stockholders' investment	145,129	128,068	119,771	115,260

Operating Data

Net Sales	1990	1989	1988	1987
Operating Expenses:	\$191,161	\$174,174	\$153,016	\$126,420
Cost of products sold				
Research and development	84,952	75,620	67,302	56,284
Selling, general and administrative	7,355	6,168	5,879	5,383
Nonrecurring charges	76,596	71,292	63,986	50,108
Total operating expenses		6,465		
	168,903	159,545	137,167	111,775
Operating income				
Other income and (expense):	22,258	14,629	15,849	14,645
Investment and other income, net				
Interest expense	4,004	2,380	1,901	2,082
Net other income	(646)	(356)	(477)	(348)
	3,358	2,024	1,424	1,734
Income before income taxes, extraordinary items and cumulative effect of changes in accounting principles				
	25,616	16,653	17,273	16,379
Income taxes				
	10,606	6,778	6,968	7,535
Income before extraordinary item and cumulative effect of changes in accounting principles				
Extraordinary item:	15,010	9,875	10,305	8,844
Gain on proceeds of officer's life insurance policies, net		4,625		
Income before cumulative effect of changes in accounting principles				
Cumulative effect of changes in accounting principles for:	15,010	14,500	10,305	8,844
Postretirement benefits				
Income taxes				
Catalog costs				
Net income		1,233		
	\$15,010	\$15,733	\$10,305	\$8,844
Net income per Common Share:				
Class A Nonvoting				
Class B Voting	\$2.09	\$2.10	\$1.36	\$1.17
Cash Dividends on:	\$1.99	\$2.00	\$1.26	\$1.07
Class A Common Stock				
Class B Common Stock	\$0.40	\$0.28	\$0.24	\$0.20
	\$0.30	\$0.18	\$0.14	\$0.10
Working capital				
Total assets	\$67,797	\$53,056	\$42,492	\$44,176
Long-term debt, less current maturities	147,197	129,890	117,201	104,398
Stockholders' investment	3,298	3,637	3,086	3,851
	103,784	89,443	84,987	76,044

Operating Data

	1986	1985
Net Sales	\$108,364	\$100,099
Operating Expenses:		
Cost of products sold	49,385	47,808
Research and development	5,004	4,154
Selling, general and administrative	38,019	30,007
Nonrecurring charges		
Total operating expenses	92,408	81,969
Operating income	15,956	18,130
Other income and (expense):		
Investment and other income, net	1,764	1,956
Interest expense	(400)	(445)
Net other income	1,364	1,511
Income before income taxes, extraordinary items and cumulative effect of changes in accounting principles	17,320	19,641
Income taxes	7,873	8,865
Income before extraordinary item and cumulative effect of changes in accounting principles	9,447	10,776
Extraordinary item:		
Gain on proceeds of officer's life insurance policies, net		
Income before cumulative effect of changes in accounting principles	9,447	10,776
Cumulative effect of		

changes in accounting principles for:		
Postretirement benefits		
Income taxes		
Catalog costs		
Net income	\$9,447	\$10,776
Net income per Common Share:		
Class A Nonvoting	\$1.26	\$1.43
Class B Voting	\$1.16	\$1.33
Cash Dividends on:		
Class A Common Stock	\$0.10	\$0.10
Class B Common Stock	--	--
Working capital	\$40,701	\$38,167
Total assets	94,477	82,758
Long-term debt, less		
current maturities	4,548	5,013
Stockholders' investment	66,791	57,074

CORPORATE DATA

Domestic Locations

Milwaukee, Wisconsin

W.H. Brady Co.
Brady Coated Products Co.
Brady Financial Co.
Brady Medical Products Co.
Brady Service Co.
Brady USA, Inc.
Coated Products Division
Industrial Products Division
Signmark Division

Hillsborough, North Carolina
Brady USA, Inc.
Nameplate Division

International Locations

Chipping Norton, Australia
W.H. Brady Pty. Ltd.

Zelee, Belgium
W.H. Brady N.V.

Rexdale, Ontario, Canada
W.H. Brady Inc.

Banbury, Oxon, England
W.H. Brady Co., Ltd.

Paris, France
W.H. Brady S.A.R.L.

Rodermark, Germany
W.H. Brady GmbH

Kowloon, Hong Kong
W.H. Brady Co.

Milano, Italy
W.H. Brady N.V.

Yokohama, Japan
Nippon Brady K.K.

Auckland, New Zealand
W.H. Brady Pty. Ltd.

Singapore
W.H. Brady Pte. Ltd.

Upplands-Vasby, Sweden
Brady AB

DIRECT MARKETING LOCATIONS

Branford, Connecticut
Seton Name Plate Co.

Markham, Ontario, Canada
Revere-Seton, Inc.

Banbury, Oxon, England
Seton, Ltd.

Langen, Germany
Seton, GmbH

Roubaix, France
Seton S.A.

OFFICERS

Katherine M. Hudson
President, Chief Financial Officer

Donald P. DeLuca
Senior Vice President
Treasurer and Chief Financial Officer

Richard L. Fisk
Vice President - Direct Marketing

James M. Sweet
Vice President - Human Resources

Donald E. Rearic
President, Brady Financial Co.

Thomas E. Scherer
Controller

Peter J. Lettenberger
Secretary
Partner - Quarles & Brady

DIRECTORS

Richard A. Bemis
Director
President - Bemis Manufacturing Company

William H. Brady, III
Director
President - Brady Audio Consulting

Robert C. Buchanan
Director
President and CEO - Fox Valley Corporation

Frank W. Harris
Director
Professor of Polymer Science -
University of Akron

Katherine M. Hudson
President and CEO-W.H. Brady Co.

Michael S. Joyce
Director
President and CEO-
The Lynde & Harry Bradley Foundation

Peter J. Lettenberger
Director
Partner-Quarles & Brady

Elizabeth Brady Lurie
Director
President and Administrator-
W.H. Brady Foundation

Gary E. Nei
Director
Chief Executive Officer-Eon Laboratories, Inc.

Roger D. Peirce
Director
Vice Chairman and CEO (retired) - Super Steel
Products Corporation

SHAREHOLDER SERVICES

Common Stock Listing

As of September 30, 1994, there were 304 Class A Nonvoting Common Stock
shareholders of record and two Class B Voting Common Stock shareholders.

W.H. Brady Co. Class A Nonvoting Common Stock trades on the over-the-counter
market under the symbol BRCOA. Trading information is carried by the National
Association of Securities Dealers' Automated Quotation System (NASDAQ).

Shareholder Account Records

Shareholder account records are maintained in the corporate general office.
Shareholder inquiries should be directed to: Donald P. DeLuca, Senior Vice
President, W.H. Brady Co., 727 West Glendale Avenue, P.O. Box 571, Milwaukee,
Wisconsin 53201-0571, (414) 332-8100.

Quarterly Stock Data

	1994		1993		1992	
	High	Low	High	Low	High	Low
4th Quarter	49	44 3/4	36 1/2	34 3/4	34 3/4	32
3rd Quarter	48	43 1/2	37 1/4	34	36	31 1/2
2nd Quarter	46 1/2	36	37 3/4	35 1/2	34 3/4	29
1st Quarter	37	34 1/2	37 1/4	33 1/4	42	30 7/8

Dividend Policy

W.H. Brady Co. has paid consecutive quarterly dividends since it went public in
1984. Dividends are normally paid on the last day of October, January, April
and July. The Board of Directors voted a quarterly dividend of 20 cents per
share of Class A Nonvoting Common Stock to shareholders of record on October
10, 1994.

Shareholders may have their dividends reinvested in Brady stock. Brochures
about this program are available through the Investor Services Unit of the
stock transfer agent, Firstar Trust Company, by calling (800) 637-7549.

Stock Transfer Agent

Firststar Trust Company
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

Additional Information Available

If your stock is held in a street name and you wish to receive information directly from the Company, please contact Donald P. DeLuca at the above address. Your name will be added to the mailing list.

Form 10-K

A copy of the W.H. Brady Co. 1994 Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission, is also available without charge upon written request.

Annual Meeting

The annual meeting of W.H. Brady Co. will be held at 9:00 a.m. on Friday, November 18, 1994, at the University Club, 924 East Wells Street, Milwaukee, Wisconsin 53202.

Incentive Compensation Plan
Adopted August 1, 1993

1. Purpose

The purpose of this Incentive Compensation Plan (the "Plan") is to provide incentive and reward to those employees of W.H. Brady Co. and its subsidiaries (the "Company") responsible for directing functions where the decisions involved have a significant bearing on the success and profitability of the Company and who have demonstrated exceptional ability, industry and service. The Plan is to motivate individuals to maximize profitability and shareholder value through group and individual performance. The incentive reward is to be in the form of supplemental compensation in addition to the individual's regular base compensation and will vary based upon the individual's ability to affect the Company's and operating group's profitability or objectives.

1. Participants and Eligibility Requirements

A. Levels of Participants

This Incentive Compensation Plan will encompass four levels of management employees as designated by the President:

Level 1 - Chief Executive Officer
Chief Operating Officer
Other Elected Officers
Department Heads

W. H. BRADY CO. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JULY 31, 1994 AND 1993
(Dollars in Thousands)

ASSETS	1994	1993
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	\$ 66,107	\$ 42,366
Accounts receivable, less allowance for losses (\$1,565 and \$1,247, respectively)	32,308	30,522
Inventories (Note 1):		
Finished products	16,717	13,466
Work-in-process	2,534	2,698
Raw materials and supplies	4,486	6,569
Total inventories	23,737	22,733
Prepaid expenses and other current assets (Notes 1, 3 and 4)	9,611	10,025
Total current assets	131,763	105,646
OTHER ASSETS (Note 4)	6,403	6,893
PROPERTY, PLANT AND EQUIPMENT (Notes 1 and 5):		
Cost:		
Land	4,689	4,664
Buildings and improvements	38,431	37,473
Machinery and equipment	72,576	68,802
Construction in progress	939	3,807
Less accumulated depreciation	52,292	47,384
Net property, plant and equipment	64,343	67,362
TOTAL	\$202,509	\$179,901

116,635 114,746

See notes to consolidated financial statements.

W. H. BRADY CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 1994, 1993 AND 1992
(Dollars in Thousands)

	1994	1993	1992
OPERATING ACTIVITIES:			
Net Income	\$ 18,540	\$ 16,856	\$ 5,055
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,325	9,848	8,450
Amortization	110	325	294
Write down of machinery and equipment			3,875
Cumulative effect of change in method of accounting for income taxes			(661)
Cumulative effect of change in method of accounting for postretirement benefits			3,995
Gain on sale of businesses		(1,963)	
Loss on sale of equipment	194	51	34
Provision for losses on accounts receivable	725	758	750
Changes in operating assets and liabilities (net of effects of business disposals in 1993):			
Accounts receivable	(2,169)	(2,917)	(4,532)
Inventory	(928)	(3,583)	(1,826)
Prepaid expenses and other assets	1,305	1,981	(2,433)
Accounts payable and accrued liabilities	3,325	(890)	5,925
Income taxes	1,852	2,139	(77)
Deferred income taxes	(413)	(608)	(1,476)
Other liabilities	1,202	(415)	1,062
Net cash provided by operating activities	33,068	21,582	18,435
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(6,466)	(12,280)	(24,074)
Proceeds from sale of property, plant and equipment	458	570	475
Proceeds from sale of businesses		10,327	
Proceeds from sale of temporary investments			6,113
Net cash used in investing activities	(6,008)	(1,383)	(17,486)
FINANCING ACTIVITIES:			
Payment of dividends	(4,999)	(4,400)	(4,101)
Proceeds from issuance of common stock	1,063	646	355
Proceeds from long-term borrowings	217	139	1,610
Principal payments on long-term debt	(495)	(711)	(2,453)
Net cash used in financing activities	(4,214)	(4,326)	(4,589)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	895	(2,026)	2,281
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 23,741	\$ 13,847	\$ (1,359)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,366	28,519	29,878
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 66,107	\$ 42,366	\$ 28,519
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -			
Cash paid during the year for:			
Interest	\$ 237	\$ 436	\$ 309
Income taxes, net of refunds	10,601	9,110	9,839

See notes to consolidated financial statements.

W. H. BRADY CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED JULY 31, 1994, 1993, AND 1992 (Dollars in Thousands, Except Per Share Amounts)

	1994	1993	1992
NET SALES	\$255,841	\$242,970	\$235,965
OPERATING EXPENSES:			
Cost of products sold	118,116	114,301	110,130
Research and development	10,318	12,132	10,001
Selling, general and administrative	97,932	92,449	93,931
Nonrecurring charge (credit) (Note 2)		(1,236)	6,562
Total operating expenses	226,366	217,646	220,624
OPERATING INCOME	29,475	25,324	15,341
OTHER INCOME AND (EXPENSE):			
Investment and other income - net	837	559	239
Interest expense	(410)	(54)	(219)
Net other income	427	505	20
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	29,902	25,829	15,361
INCOME TAXES (Notes 1 and 4)	11,362	8,973	6,972
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	18,540	16,856	8,389
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES FOR:			
Postretirement benefits (net of income taxes of \$2,663) (Note 3)			(3,995)
Income taxes (Notes 1 and 4)			661
NET INCOME	\$18,540	\$16,856	\$5,055
"NET INCOME PER COMMON SHARE (Notes 1, 6 and 8):"			
Class A nonvoting:			
Income before cumulative effect of changes in accounting principles (includes \$.10 preferential dividend)	\$ 2.55	\$ 2.33	\$1.16
Cumulative effect of changes in accounting principles for:			
Postretirement benefits (Note 3)			(0.56)
Income taxes (Note 4)			0.09
Net income	\$ 2.55	\$ 2.33	\$0.69
Class B voting - net income	\$ 2.45	\$ 2.23	\$0.59

See notes to consolidated financial statements.

W. H. BRADY CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT YEARS ENDED JULY 31, 1994, 1993 AND 1992 (Dollars In Thousands, Except Per Share Amounts)

	Preferred Stock	Common Stock	Paid-in Capital	Additional Retained in the Business	Earnings Translation Adjustments	Cumulative
Balances at						
August 1, 1991	\$2,855	\$72	\$4,385	\$105,320	\$2,628	
Net income			5,055			
Net currency translation adjustment					3,106	
Issuance of 15,100 shares of Class A common stock under stock option plan		355				
Tax benefit from exercise of stock options		96				
Cash dividends on preferred stock:						
1979 series - \$10 a share			220			
6% and 1972 series - \$6 a share			(39)			
Cash dividends on common stock:						
Class A - \$.56 a share			(3,028)			

Class B - \$.46 a share					(814)	
Balances at						
July 31, 1992	2,855	72	4,836	106,274	5,734	
Net income				16,856		
Net currency translation adjustment					(4,894)	
Issuance of 26,000 shares of Class A common stock under stock option plan			646			
Tax benefit from exercise of stock options			89			
Cash dividends on preferred stock: 1979 series - \$10 a share				(220)		
6% and 1972 series - \$6 a share				(39)		
Cash dividends on common stock: Class A - \$.60 a share				(3,256)		
Class B - \$.50 a share				(885)		

Balances at						
July 31, 1993	2,855	72	5,571	118,730	840	
Net income				18,540		
Net currency translation adjustment					2,323	
Issuance of 39,650 shares of Class A common stock under stock option plan			1,063			
Tax benefit from exercise of stock options			134			
Cash dividends on preferred stock: 1979 series - \$10 a share				(220)		
6% and 1972 series - \$6 a share				(39)		
Cash dividends on common stock: Class A - \$.68 a share				(3,714)		
Class B - \$.58 a share				(1,026)		

Balances at						
July 31, 1994	\$2,855	\$72	\$6,768	\$132,271	\$3,163	

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' INVESTMENT	1994	1993
CURRENT LIABILITIES:		
Accounts payable	\$ 9,678	\$ 8,577
Wages and amounts withheld from employees	10,479	8,374
Taxes, other than income taxes	1,962	1,676
Accrued income taxes	2,999	2,392
Other current liabilities (Note 3)	6,217	6,206
Current maturities on long-term debt (Note 5)	405	478
Total current liabilities	31,740	27,703
LONG-TERM DEBT, less current maturities (Note 5)	1,855	1,978
OTHER LIABILITIES (Note 3)	23,785	22,152
Total liabilities	57,380	51,833
STOCKHOLDERS' INVESTMENT (Note 6):		
Preferred stock (aggregate liquidation preference of \$3,026 at July 31, 1994)	2,855	2,855
Common stock:		
Class A Nonvoting - Issued and outstanding 5,476,812 and 5,437,162 shares, respectively, (aggregate liquidation preference of \$27,384 at July 31, 1994)	54	54
Class B Voting - Issued and outstanding 1,769,314 shares	18	18
Additional paid-in capital	6,768	5,571
Earnings retained in the business	132,271	118,730
Cumulative translation adjustments	3,163	840
Total stockholders' investment	145,129	128,068
TOTAL	\$202,509	\$179,901

4. INCOME TAXES

Deferred income taxes result from timing differences in the recognition of revenues and expenses for financial statement and income tax purposes. These differences relate principally to depreciation and certain expenses not deductible for tax reporting until paid.

Pre-tax income consists of the following:

	1994	1993	Year Ended July 31, 1992
			(Dollars in thousands)
United States	\$21,565	\$22,220	\$12,298
Foreign	8,337	3,609	3,063
Total	\$29,902	\$25,829	\$15,361

4. INCOME TAXES

The approximate tax effects of temporary differences are as follows:

	July 31, 1994	
Assets	Liabilities	Total

(Dollars in thousands)

Inventories	\$ 1,659		\$ 1,659
Prepaid catalog costs		\$ (612)	
Employee benefits		(505)	(505)
Tax loss carryforwards	397		397
Allowance for doubtful accounts	324		324
Other, net	644		644
Current	3,024	(1,117)	1,907
Excess of tax over book depreciation		(4,517)	(4,517)
Deferred compensation	6,001		6,001
Postretirement benefits	3,129		3,129
Tax loss carryforwards	1,550		1,550
Less valuation allowance	(1,550)		(1,550)
Other, net	259		259
Noncurrent	9,389	(4,517)	4,872
Total	\$12,413	\$(5,634)	\$ 6,779

	Assets	Liabilities	Total
	"July 31, 1993"		
	(Dollars in thousands)		
Inventories	\$ 1,021		\$ 1,021
Prepaid catalog costs		\$ (684)	(684)
Employee benefits		(659)	(659)
Tax loss carryforwards	591		591
Less valuation allowance	(364)		(364)
Other, net	1,085		1,085
Current	2,333	(1,343)	990
Excess of tax over book depreciation		(3,949)	(3,949)
Deferred compensation	5,881		5,881
Postretirement benefits	2,957		2,957
Tax loss carryforwards	1,821		1,821
Less valuation allowance	(1,457)		(1,457)
Other, net	123		123
Noncurrent	9,325	(3,949)	5,376
Total	\$11,658	\$(5,292)	\$ 6,366

4. INCOME TAXES

At July 31, 1994 and 1993, \$1,907,000 and \$990,000, respectively, of net deferred tax assets were included in prepaid expenses and other current assets. At July 31, 1994 and 1993, \$4,872,000 and \$5,376,000 respectively, of net deferred tax assets were included in other assets.

A reconciliation of the tax computed by applying the statutory U.S. Federal income tax rate to income before taxes to the total tax provision is as follows:

	1994	1993	Year Ended July 31, 1992
	(Dollars in thousands)		
Tax at statutory rate	\$10,466	\$8,782	\$5,223
State income taxes, net of Federal tax benefit	1,271	841	726
International losses with no related tax benefits	175	351	478
International rate differential	(226)	126	110
Rate variances arising from foreign subsidiary distributions	174	157	(122)
Provision for future settlements		(730)	730
Other, net	(498)	(554)	(173)
Total income tax provision	\$11,362	\$8,973	\$6,972
Effective tax rate	38.0 %	34.7 %	45.4 %

The Company's policy is to remit earnings from foreign subsidiaries only to the extent any resultant foreign income taxes are creditable in the United States. Accordingly, the Company does not currently provide for the additional United States and foreign income taxes which would become payable upon remission of undistributed earnings of foreign subsidiaries.

The cumulative undistributed earnings of such companies at July 31, 1994 amounted to approximately \$8,400,000. If all such undistributed earnings were remitted, an additional provision for foreign income taxes of approximately \$200,000 would be required.

4. INCOME TAXES

Effective August 1, 1991, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109). The Company elected to reflect the effect of this accounting principle change as a cumulative effect adjustment as of August 1, 1991.

Income taxes consist of the following:

	Year Ended July 31,		
	1994	1993	1992
	(Dollars in thousands)		
Currently payable:			
Federal	\$ 6,987	\$6,612	\$ 5,800
Foreign	2,755	1,869	1,279
State	2,033	1,100	1,369
	11,775	9,581	8,448
Deferred (credit):			
Federal	(448)	(376)	(1,557)
Foreign	112	(165)	350
State	(77)	(67)	(269)
	(413)	(608)	(1,476)
Total	\$11,362	\$8,973	\$ 6,972

5. LONG-TERM DEBT

Long-term debt consists of the following:

	July 31,	
	1994	1993
	(Dollars in thousands)	
6.25% Industrial Development Revenue Bonds payable on December 1, 2001	\$1,000	\$1,000
6.375% Industrial Development Revenue Bonds payable in quarterly installments of \$33,000 to January 1, 1995"	100	233
6.75% Industrial Development Revenue Bonds payable in annual installments ranging from \$120,000 in 1995 to \$140,000 in 1997	385	495
Other	775	728
		2,260
Less current maturities	405	478
		\$1,855
		\$1,978

7. DOMESTIC AND FOREIGN OPERATIONS

Data with respect to operations located outside the United States which have translated into U.S. dollars is as follows:

	Year Ended July 31,		
	1994	1993	1992
	(Dollars in thousands)		
Current assets	\$ 41,702	\$38,497	\$36,576
Other assets	4,833	3,949	2,928
Property, plant and equipment	8,474	8,070	9,207
Total assets	\$ 55,009	\$50,516	\$48,711
Current liabilities	\$ 38,645	\$34,081	\$33,776
Long-term debt	590	492	796
Other liabilities	66	197	147
Stockholders' investment	15,708	15,746	13,992
Total liabilities and stockholders' investment	\$ 55,009	\$50,516	\$48,711
Net sales	\$102,919	\$83,854	\$76,827
W. H. Brady Co. equity in net income	\$ 5,470	\$ 1,666	\$ 1,692

7. DOMESTIC AND FOREIGN OPERATIONS

The Company operates predominantly in a single industry as a manufacturer and distributor of identification products. Operations are conducted in the United States and through subsidiaries located in Canada, Europe, Australia, Japan and Singapore. Transfers between geographic areas primarily represent intercompany export sales of U.S. produced goods and are based on established sales prices between the related corporations. In computing operating income for non-U.S. subsidiaries, no allocations of general corporate expenses, interest or income taxes have been made.

Identifiable assets of subsidiaries are those assets related to the operation of those subsidiaries. United States assets consist of all other operating assets of the Company.

	United States	Europe	Other	Eliminations	Consolidated
	(Dollars in thousands)				

Year ended July 31, 1994:

Sales to unaffiliated customers	\$161,024	\$64,634	\$30,183		\$255,841			
Transfers between geographic areas	18,965	7,828				275	\$(27,068)	0
Net sales	\$179,989	\$72,462	\$30,458	\$(27,068)	\$255,841			
Operating income	\$ 20,039	\$ 9,154	\$ 821	\$ (539)	\$ 29,475			
Identifiable assets	\$166,501	\$36,412	\$14,130	\$(14,534)	\$202,509			
Year ended July 31, 1993:								
Sales to unaffiliated customers	\$166,017	\$53,912	\$23,041		\$242,970			
Transfers between geographic areas	17,448	6,572	329	\$(24,349)				
Net sales	\$183,465	\$60,484	\$23,370	\$(24,349)	\$242,970			
Operating income	\$ 21,292	\$ 5,117	\$ (479)	\$ (606)	\$ 25,324			
Identifiable assets	\$164,371	\$36,537	\$13,979	\$(34,986)	\$179,901			
Year ended July 31, 1992:								
Sales to unaffiliated customers	\$165,136	\$51,869	\$18,960		\$235,965			
Transfers between geographic areas	16,734	5,782	216	\$(22,732)				
Net sales	\$181,870	\$57,651	\$19,176	\$(22,732)	\$235,965			
Operating income	\$ 11,841	\$ 5,071	\$ (871)	\$ (700)	\$ 15,341			
Identifiable assets	\$180,108	\$37,155	\$11,102	\$(55,311)	\$173,054			

W. H. BRADY CO.

Years Ended July 31, 1994 and 1993

W. H. BRADY CO. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of W. H. Brady Co.:

We have audited the accompanying consolidated balance sheets of W. H. Brady Co. and subsidiaries as of July 31, 1994 and 1993, and the related statements of income, stockholders' investment and cash flows for each of the three years in period ended July 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies at July 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Notes 1, 3 and 4 to the consolidated financial statements, the companies changed their methods of accounting for postretirement benefits other than pensions and accounting for income taxes effective August 1, 1991, to conform with Statement of Financial Accounting Standards No. 106 and No. 109, respectively.

September 12, 1994

W. H. BRADY CO. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 1994, 1993 AND 1992

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of W. H. Brady Co. and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents - The Company considers all highly liquid investments with maturities of three months or less when acquired to be cash equivalents. The carrying amounts of cash equivalents approximate fair value because they mature in three months or less.

Inventories - Inventories are stated at the lower of cost or market. Cost has been determined using the last-in, first-out (LIFO) method for domestic inventories (approximately 65% and 68% of total inventories at July 31, 1994 and 1993, respectively) and the first-in, first-out method for other inventories. The difference between the carrying value of domestic inventories stated at LIFO cost and the value of such inventories stated at replacement cost was \$5,777,000 at July 31, 1994 and \$4,718,000 at July 31, 1993.

Depreciation - The cost of buildings and improvements and machinery and equipment is being depreciated over their estimated useful lives using the straight-line method for financial reporting purposes.

Catalog Costs - Catalog costs are initially capitalized and amortized over the estimated useful lives of the publications (generally eight months). At July 31, 1994 and 1993, \$2,325,000 and \$2,743,000, respectively, of prepaid catalog costs were included in prepaid expenses and other current assets.

Foreign Currency Translation - Foreign currency assets and liabilities are translated into United States dollars at end of period rates of exchange, and income and expense accounts are translated at the weighted average rates of exchange for the period. Resulting translation adjustments are included as a separate component of stockholders' investment.

Income Taxes - Effective August 1, 1991, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. See Note 4.

Reclassifications - Certain reclassifications have been made to the 1993 consolidated financial statements to conform to those used in 1994.

2. NONRECURRING CHARGE (CREDIT)

During fiscal 1992 the Company recorded a nonrecurring charge of \$6,562,000 representing the writedown to estimated net realizable value of a portion of the Company's investment in two domestic manufacturing operations and a foreign marketing operation which was sold during 1992. The writedown related primarily to the carrying value of certain inventories and machinery and equipment.

During fiscal 1993, the Company sold the two domestic manufacturing operations and a direct marketing subsidiary. The nonrecurring credit of \$1,236,000 in 1993 represents the excess of proceeds over the net carrying amount of net assets disposed of offset by provision for a severance and other related disposition expenses.

3. EMPLOYEE BENEFIT PLANS

The Company provides postretirement medical, dental and vision benefits for all regular full and part-time domestic employees (including spouses) who retire on or after attainment of age 55 with 15 years of credited service. Credited service begins accruing at the later of age 40 or date of hire. All active employees first eligible to retire after July 31, 1992, will be covered by an unfunded, contributory postretirement healthcare plan where employer contributions will not exceed a Defined Dollar Benefit amount, regardless of the cost of the program. Employer contributions to the plan will be based on the employee's age and service at retirement. Employee contributions range from 10% at age 55 with 15 years of credited service to 90% at age 65 with 25 years of credited service. For all current retirees and those active employees eligible to retire as of July 31, 1994, the retirees contribution rate ranges

from 10% to 30%. The medical plan benefits are subject to lifetime maximum benefits of \$1,000 before age 65 and \$50,000 after age 65.

Effective August 1, 1991, the Company adopted Statement of Financial Accounting Standards No. 106 (SFAS No. 106), "Employers' Accounting for Postretirement Benefits Other than Pensions." The Company had previously provided for postretirement health care benefits on a pay-as-you-go basis. In connection with the adoption of SFAS No. 106, the Company elected to recognize as expense during 1992 the entire accumulated postretirement benefit obligation (transition obligation) aggregating \$6,658,000 as of August 1, 1991 rather than amortizing such amount to expense over a twenty year period. The Company will continue to fund benefit costs on a pay-as-you-go basis. During the years ended July 31, 1994 and 1993, the Company made benefit payments totalling \$186,000 and \$153,000 respectively.

The following table sets forth the plan's status reconciled with amounts recognized in the accompanying consolidated balance sheets at July 31, 1994 and 1993 (Dollars in thousands):

	1994	1993		
Accumulated postretirement benefit obligation:				
Retirees		\$2,607	\$2,576	
Fully eligible active plan participants		2,225	2,014	
Other active plan participants		1,448	1,434	
			6,280	6,024
Unrecognized net gain		1,543	1,370	
Accrued postretirement benefit cost	\$7,823	\$7,394		

	1994	1993	1992
Net periodic postretirement benefit cost included the following components:			
Service cost - benefits attributed to service during the period	\$209	\$ 210	\$179
Interest cost on accumulated postretirement benefit obligation	469	462	601
Amortization of (gain)	(64)	(58)	
Periodic postretirement benefit cost prior to curtailment	614	614	780
Effective curtailment (gain) due primarily to disposition of operations		(185)	
Net periodic postretirement benefit cost	\$614	\$ 429	\$780

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation were 13% in 1994, gradually declining to 6% by the year 2000.

The weighted average discount rates used in determining the accumulated postretirement benefit obligation was 8% in 1994 and 1993.

If the health care cost trend rate assumptions were increased by 1%, the accumulated postretirement benefit obligation as of July 31, 1994 would be increased by \$90,000. The effect of this change on the sum of the service cost and interest cost would not be material.

During 1993 the Company had a curtailment gain which represented the accumulated postretirement benefit obligation of employees who were employed at operations disposed of in 1993.

The Company has retirement and profit sharing plans covering substantially all full-time domestic employees and certain of its foreign subsidiaries. Contributions to the plans are determined annually based on earnings of the respective companies and employee contributions. At July 31, 1994 and 1993, \$3,109,000 and \$2,757,000 respectively, of accrued profit sharing contributions were included in other current liabilities.

The Company also has deferred compensation plans for directors, officers and key executives utilizing the phantom stock plan concept. At July 31, 1994 and 1993, \$15,795,000 and \$14,984,000, respectively, of deferred compensation was included in other liabilities.

The amounts charged to income for the plans described above were \$5,660,000 in 1994, \$4,443,000 in 1993 and \$5,491,000 in 1992.

The Company has a voluntary employee benefit trust for the purpose of funding employee medical benefits and certain other employee benefits. At July 31, 1994 and 1993, \$4,145,000 and \$4,543,000, respectively, of payments to the trust to fund such benefits were included in prepaid expenses and other current assets.

5. LONG-TERM DEBT

Industrial Development Revenue Bonds and the covering mortgage and loan agreements require, among other provisions, that the Company maintain minimum net working capital of \$8,000,000 and a defined net worth of \$16,000,000. The bonds are collateralized by first mortgages on certain property with a net carrying amount of approximately \$11,400,000 at July 31, 1994. The Company's Industrial Development Revenue Bonds approximate fair value.

Maturities on long-term debt are as follows:

Fiscal Year Ending July 31,
(Dollars in thousands)

1995	\$	405
1996		334
1997		316
1998		149
1999		56

Thereafter 1,000

6. STOCKHOLDERS' INVESTMENT

Information as to the Company's capital stock at July 31, 1994 is as follows:

	Authorized	Shares Outstanding (Dollars in thousands)	Amount
Preferred Stock, \$.01 par value	5,000,000	0	
Cumulative Preferred Stock, \$100 par value:			
6% Cumulative	5,000	3,984	\$ 399
1972 Series	10,000	2,600	260
1979 Series	30,000	21,963	2,196
			\$ 2,855
Common Stock, \$.01 par value:			
Class A Nonvoting	10,000,000	5,476,812	\$ 54
Class B Voting	10,000,000	1,769,314	18
			\$ 72

Each share of \$100 par value Cumulative Preferred Stock is entitled to receive cumulative cash dividends and may be redeemed, under certain circumstances, by the Company at par value plus accrued dividends plus a premium of 6% of the par value. Such shares, which are held by the initial holder thereof, are subject to redemption only if the holder consents thereto.

Before any dividend may be paid on the Class B Common Stock, holders of the Class A Common Stock are entitled to receive an annual, noncumulative cash dividend of \$.10 per share. Thereafter, any further dividend in that fiscal year must be paid on each share of Class A Common Stock and Class B Common Stock on an equal basis.

Holders of the Class A Common Stock are not entitled to any vote on corporate matters, unless, in each of the three preceding fiscal years, the \$.10 preferential dividend described above has not been paid in full. Holders of the Class A Common Stock are entitled to one vote per share for the entire fiscal year immediately following the third consecutive fiscal year in which the preferential dividend is not paid in full. Holders of Class B Common Stock are entitled to one vote per share for the election of directors and for all other purposes.

Upon liquidation, dissolution or winding up of the Company, and after distribution of any amounts due to holders of Cumulative Preferred Stock, holders of the Class A Common Stock are entitled to receive the sum of \$5.00 per share before any payment or distribution to holders of the Class B Common Stock. Thereafter, holders of the Class B Common Stock are entitled to receive a payment or distribution of \$5.00 per share. Thereafter, holders of the Class A Common Stock and Class B Common Stock share equally in all payments or distributions upon liquidation, dissolution or winding up of the Company.

The preferences in dividends and liquidation rights of the Class A Common Stock over the Class B Common Stock will terminate at any time that the voting rights of Class A Common Stock and Class B Common Stock become equal.

The Company has a Nonqualified Stock Option Plan (the Plan) under which 500,000 shares of Class A Nonvoting Common Stock were made available for grant. Options are issued at an option price equal to the market price at the grant date. Options granted prior to 1992 become exercisable once the employees have been continuously employed for six months after the grant date. Generally options granted in 1992 and thereafter will not be exercisable until one year after the date of grant, to the extent of one-third per year.

Transactions with respect to the Plan are summarized as follows:

	Option Price	Options Outstanding
Balance, August 1, 1991	\$20.50 - \$28.125	113,900
Options granted	29.8125	43,750
Options exercised	20.50 - 28.125	(15,100)
Balance, July 31, 1992	20.50 - 29.8125	142,550
Options granted	37.125	40,750
Options exercised	20.50 - 29.8125	(26,000)
Options cancelled	20.50 - 29.8125	(7,500)
Balance, July 31, 1993	20.50 - 37.125	149,800
Options granted	36.50 - 43.00	78,400
Options exercised	20.50 - 37.125	(39,650)
Options cancelled	28.125 - 37.125	(9,750)
Balance, July 31, 1994 (93,733 options exercisable)	20.50 - 43.00	178,800
Available for grant after July 31, 1994		225,350

8. NET INCOME PER COMMON SHARE

Net income per common share is computed by dividing net income (after deducting the applicable Preferred Stock dividends and preferential Class A Common Stock dividends) by the weighted average Common Shares outstanding of 7,226,038 for 1994; 7,194,545 for 1993 and 7,176,169 for 1992. The preferential dividend on the Class A Common Stock of \$.10 per share has been added to the net income per Class A Common Share for all years presented.

9. COMMITMENTS

The Company has entered into various noncancellable operating lease agreements. Rental expense charged to operations was \$2,788,000 in 1994; \$2,871,000 in 1993 and \$2,217,000 in 1992. Future minimum lease payments required under such leases in effect at July 31, 1994, are as follows (by fiscal year):

1995	\$2,086,000
1996	1,832,000
1997	1,444,000
1998	599,000
1999	459,000
Thereafter	1,767,000

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

This Supplemental Executive Retirement Plan (the "SERP") is entered into this 23rd day of September, 1994, between W.H. Brady Co. (the "Company") and DONALD P. DeLUCA ("Executive"):

1. Objectives. This SERP is intended to provide for a payment after retirement to the Executive, who is currently the Senior Vice President of W.H. Brady Co., in recognition of his past and future years of service with the Company and the limitations imposed on his and the Company's contributions to the Company's Profit Sharing Plan.

2. Bookkeeping Account. The Company shall cause a bookkeeping reserve account (the "Account") to be established for the Executive solely as a device for determining the amounts which may become payable to the Executive hereunder. Such Account shall not constitute or be treated as a trust fund of any kind, it being expressly provided that the amounts credited to the Account shall at all times be and remain the sole property of the Company. The Executive shall have no proprietary rights of any nature with respect thereto, unless and until such time as a payment thereof is made to the Executive (or beneficiary) as provided herein. Amounts shall be credited to the Executive's Account as follows:

(a) Provided only that the Executive is in the employment of the Company as of July 31, 1995, \$50,000 shall be credited to the Account. If the Executive is in the employment of the Company as of July 31, 1996, an additional \$50,000 shall be credited to the Account and an additional \$50,000 shall be credited to the Account as of July 31, 1997, 1998, and 1999 if the Executive is in the employment of the Company as of those dates.

(b) Interest shall accrue on the balance in the Executive's Account at the prime rate (base rate on corporate loans) in effect July 31 of each year as reported by the principal bank or financial institution with which the Company is doing business, and shall be credited to the Account annually as of July 31 of each year, until all distributions to which the Executive, the Executive's estate or beneficiary is entitled, shall have been made. However, the interest rate used shall never be less than six percent (6%) or more than ten percent (10%). If a lump sum amount distribution is made as of a date other than July 31, interest shall be credited to the Account as of such payment date based on the interest rate for the prior July 31.

3. Vesting. The Executive shall at all times have a 100% vested interest in the Account balance established for the Executive under this SERP.

4. Benefit Payment.

(a) Payment shall be made over a 10 year period commencing on August 1 of the year following the Executive's termination of employment with the Company (the "First Payment Date"), with the first payment being one-tenth of the amount credited to the Executive's Account, and therefore an amount shall be paid to the Executive as of the first day of each August thereafter in an amount equal, as nearly as possible, to the amount paid on the First Payment Date plus any interest credited to the Account in the period intervening since the last payment, until a total of ten payments have been made. Such 10 payments, regardless of the total amount thereof, shall constitute full payment of all amounts due the Executive under this SERP.

(b) The Executive shall have the right to designate a beneficiary or beneficiaries to receive a distribution with respect to any portion of such Executive's Account remaining unpaid at the Executive's death. Such designation shall be effected by filing written notification with the Company in the form prescribed by it and may be changed from time to time by similar action. If the Executive fails to make such a designation, any such distribution shall be paid to the Executive's estate or its successors. The amount remaining in the Account shall be paid to the beneficiary or the Executive's estate for the balance of the applicable ten year period in the same manner and amount as it would have been paid to the Executive.

(c) The Company may, in its uncontrolled discretion, and in lieu of the annual payments provided for in this paragraph and upon such terms and conditions as the Board of Directors of the Company may determine, pay the Executive or his beneficiary the amount credited to the Account (1) in larger installments, including a lump sum, or (2) in some other manner; provided, however, that the payments cannot be made in smaller amounts or over a period longer than provided in paragraph 4(a), without the Executive's consent.

5. Claim Procedure. The Company shall provide adequate notice in writing to the Executive or the Executive's beneficiary (a "Claimant") if any claim for benefits under this SERP has been denied setting forth specific reasons for such denial and advising the Claimant of the procedures to be followed to obtain a full and fair review by the Company or some other fiduciary named by it of the decision denying the claim. The Company or such other named fiduciary, acting as administrator for this SERP, shall have full and complete discretionary authority to construe and interpret this SERP, to adopt and modify claim procedure rules, and to decide any matter presented through the claim review procedure. Any final decision on review by such administrator in good faith and in the exercise of its discretionary authority shall be final and binding on all parties and not subject to reversal if challenged in litigation unless proven to be arbitrary and capricious based on the evidence

considered by the administrator at the time of such final decision.

6. Miscellaneous.

(a) Neither the Company nor the Executive nor any beneficiary shall have the power to transfer, assign, encumber, commute or anticipate any amounts payable hereunder.

(b) The Company shall have the right to withhold from any amounts payable hereunder, or any amounts otherwise payable, any taxes or other amounts required by any governmental authority to be withheld.

(c) Every person receiving or claiming payments under this SERP shall be conclusively presumed to be mentally competent until the date on which the Company receives a written notice, in a form and manner acceptable to it, that such person is incompetent and that a guardian, conservator, or other person legally vested with the care of such person's estate has been appointed. In the event a guardian or conservator of the estate of any person receiving or claiming payments under this SERP shall be appointed by a court of competent jurisdiction, payments may be made to such guardian or conservator provided that proper proof of appointment and continuing qualification is furnished in a form and manner acceptable to the Company. Any such payment so made shall be a complete discharge of any liability therefor.

(d) Participation in this SERP or the payment of any benefits hereunder, shall not be construed as giving to the Executive any right to be retained in the service of the Company or its subsidiaries, limiting in any way the right of the Company or its subsidiaries to terminate the Executive's employment at any time, evidencing any agreement or understanding, express or implied, that the Company or its subsidiaries will employ the Executive in any particular position or at any particular rate of compensation and/or guaranteeing the Executive any right to receive a salary increase in any year, such increase being granted only at the sole discretion of the Board.

(e) None of the payments made hereunder shall be taken into account under any other pension, profit sharing or welfare benefit plan or program of the Company.

(f) The schedule attached is an example of the anticipated Contributions, Interest and Payments to be made provided that the Executive's employment terminates on July 31, 2005.

W.H. BRADY CO.

By /S/ Katherine M. Hudson

/S/ Donald P. DeLuca
Donald P. DeLuca

W.H. BRADY CO.

DONALD P. DELUCA - SERP

Fiscal Year	Contribution	8% Interest	Payment	Balance
7/31/95	\$ 50,000	-	\$	\$ 50,000
7/31/96	50,000	\$ 4,000		104,000
7/31/97	50,000	8,320		162,320
7/31/98	50,000	12,986		225,306
7/31/99	50,000	18,024		293,330
7/31/00		23,466		316,796
7/31/01		25,344		342,140
7/31/02		27,371		369,511
7/31/03		29,561		399,072
7/31/04		31,926		430,998
7/31/05		34,480		465,478
8/01/05			46,548	418,930
8/01/06		33,514	80,062	372,382
8/01/07		29,791	76,339	325,834
8/01/08		26,067	72,615	279,286
8/01/09		22,343	68,891	232,738
8/01/10		18,619	65,167	186,190
8/01/11		14,895	61,443	139,642
8/01/12		11,171	57,719	93,094
8/01/13		7,448	53,996	46,546
8/01/14		3,724	50,270	0
	\$250,000	\$383,050	\$633,050	

PRIVATE & CONFIDENTIAL

Ms. Katherine M. Hudson
 7436 East River Road
 Rush, New York 14543

Dear Ms. Hudson:

This letter is to confirm our discussions regarding the terms of W.H. Brady Co.'s (the "Company") offer of employment to you. Subject to your acceptance, as set forth below, your employment would be on the following terms:

1. Title and Term. You will be employed as President and Chief Executive Officer of the Company, starting as of January 1, 1994 (the "Effective Date"). There would be no fixed term of employment.
2. Compensation.
 - (a) Base Salary. The Company will pay you an initial base salary at the rate of \$300,000 per annum, payable according to the regular payroll practices of the Company. Beginning in 1994, the rate of your base salary will be subject to review in accordance with the Company's regular annual review process.
 - (b) Bonus. In addition to your base salary, you will also become covered immediately on the Effective Date under the Company's Incentive Compensation Plan, adopted August 1, 1993, (and as amended from time to time) which provides for a bonus opportunity based on certain criteria.
 - (c) Stock Options. Within 10 days of the Effective Date, the Company will grant to you a stock option for 25,000 shares of the Company's Class A non-voting common stock under the Company's Non-Qualified Stock Option Plan (the "Plan"). The exercise price will be the fair market value on the date of grant, as determined under the Plan and the option will become fully exercisable and vested six months after the date of the grant.
3. Expenses and Benefits.
 - (a) Expenses and Club Dues. The Company will pay or reimburse your reasonable moving expenses for your move from the Rochester, New York area to Wisconsin. Further, the Company will pay or reimburse you, up to a maximum of \$10,000 in the aggregate, for your reasonable expenses incurred in searching for a home in Wisconsin, your reasonable temporary housing expenses in Wisconsin for up to 6 months, and reasonable expenses incurred by you and your family for traveling to and from Wisconsin during this period. The Company will pay or reimburse you for all reasonable travel and entertainment expenses connected with the Company's business in accordance with the Company's policy. Additionally, the Company will pay or reimburse you for one club membership and dues fees, the club to be located in southeastern Wisconsin and otherwise to be selected by you. Finally, the Company will pay or reimburse your reasonable attorneys' fees and disbursements incurred in connection with evaluating and negotiating the initial terms of your employment, not to exceed \$5,000.
 - (b) Benefits. You will be entitled to participate in all life, health and disability benefit programs, retirement, vacation and other similar fringe benefit plans currently or at any time provided by the Company to other senior executives, on a basis commensurate with such other senior executives and consistent with the terms of such plans, as amended, modified or terminated from time to time. The Company will provide you with a Company car.
4. Special Supplemental Retirement Payments. The Company agrees to make special annual payments to you for a period of 10 years, commencing on the first business day in January, 2009. The first installment payment will be a lump sum equal to 1/10th of the Stated Amount (as hereafter defined). The second installment payment will be made on the first business day in January, 2010, in a lump sum equal to 1/9th of the then remaining unpaid Stated Amount, and on the first business day in January of each succeeding year, another annual lump sum payment will be made equal to the product obtained by multiplying the then remaining unpaid Stated Amount by a fraction, the numerator of which is one and the denominator of which is 8 for the third installment payment, 7 for the fourth, and continuing in a similar fashion until the first business day in January, 2018, when the then remaining balance of the Stated Amount shall be paid. The Stated Amount is simply a bookkeeping account maintained by the Company solely as a measuring device for purposes of determining the amount of payments to be made to you under this paragraph 4. The Stated Amount is \$500,000, until January 1, 1999. On that date, the Stated Amount shall begin to be credited with an amount equal to interest as of the end of each calendar quarter at the prime rate (base rate on corporate loans) in effect at the end of such quarter (an "Interest Equivalent Credit") as reported by the principal bank or financial institution with which the

Company is doing business. All amounts credited to the Stated Amount as of the end of each calendar year, starting with December 31, 1999, including any prior Interest Equivalent Credits, shall become entitled to receive Interest Equivalent Credits in subsequent calendar years. An example of the calculations contemplated by this paragraph 4 is attached and made a part of this letter. Further, the following special conditions apply to this Special Supplemental Retirement Payments:

- (a) Should you die before payments have started, the Company will commence making the payments on the first business day of the first January following your date of death, to the beneficiary or beneficiaries designated by you in a written notice to the Company, or to your estate if no beneficiary is designated. The payments will be as set forth above, with the substitution of the accelerated starting date. However, Interest Equivalent Credits shall not begin prior to January 1, 1999 and shall apply only to the then remaining unpaid Stated Amount, if payments have begun under this subsection (a) prior to January 1, 1999.
- (b) Should you die after payments have started, the Company will continue making the payments as set forth above until completion.
- (c) You are not required to remain in the Company's employ for any length of time in order to become entitled to the Special Supplemental Retirement Payments, nor are you required to separate from the service of the Company at any particular time in order to receive such payments. Such payments will not be taken into account as compensation under any of the Company's retirement, welfare benefit, or fringe benefit plans or programs.
- (d) You or any beneficiary entitled to the payments may request that the payments be made in a single lump sum equal to the Stated Amount or in a shorter series of payments and the Company in its sole discretion may grant or deny such request.

5. Acceleration of Special Supplemental Retirement Payment Under Certain Circumstances In the Event of a Change in Control. For purposes of this paragraph, a Change in Control of the Company shall occur if and when the members of the family of William H. Brady, Jr. and their descendants or the W.H. Brady Foundation, Inc. no longer, directly or indirectly, controls in excess of 50% of the voting stock of the Company. If such a Change in Control occurs before all the payments contemplated by paragraph 4 have been made, then the remaining balance of the Stated Amount will be paid to you, your beneficiary or your estate in a single cash payment within 30 days after the Change in Control unless you are still the President and Chief Executive Officer, in which case the remaining balance of the Stated Amount will be paid to you, your beneficiary or your estate in a single cash payment within 30 days after you cease to serve in such capacity. However, if such single cash payment would result in disallowance of any portion of the Company's deduction therefor under Section 162(m) of the Internal Revenue Code, the Company may limit its payment under this paragraph 5 to only that amount which is deductible, with the balance of the Stated Amount to be paid as soon as deductible by the Company.

6. Severance. If your employment is terminated by the Company at any time without Cause as defined herein, the Company will make severance payments to you for one year, in an amount equal to 100% of your then current base salary, payable in accordance with the regular payroll practices of the Company. If you should die before all payments contemplated by the preceding sentence have been made to you, any remaining payments will be made to the beneficiary or beneficiaries designated by you in a written notice to the Company, or to your estate if no beneficiary is designated. Any severance payments under this paragraph 6 will be in lieu of any other regular severance payments and will not be taken into account as compensation under any of the Company's retirement, welfare benefit, or fringe benefit plans or programs. For purposes hereof, Cause means (i) your willful and continued failure to substantially perform your duties with the Company (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to you by the Company which specifically identifies the manner in which the Company believes you have not substantially performed and a reasonable time to cure has transpired, (ii) your conviction of a felony, or (iii) your commission of an act of dishonesty or of any willful act of misconduct which results in or could reasonably be expected to result in significant injury (monetarily or otherwise) to the Company, as determined in good faith by the Board of Directors of the Company.

7. Confidentiality/Non-Compete Agreement. You agree to sign the standard form of Confidential Information Agreement required of Company executives, a copy of which is attached.

8. Entire Understanding; Withholding. This letter supersedes any and all prior agreements or discussions between the Company and you relating to your employment by the Company. The Company may withhold any and all applicable taxes it deems necessary or appropriate on all payments made under

this letter agreement.

If this letter correctly sets forth your understanding and you wish to accept our offer of employment, please sign the duplicate of this letter in the space provided below and return it in the enclosed envelope. This letter will then serve as the agreement between us.

Very truly yours,

W.H. BRADY CO.

By: /S/ P.G. Gengler
President

/S/ P.J. Lettenberger

168/lw
Attachments
18-003-346-4

I hereby accept employment with
W.H. Brady Co. on the above terms
and conditions:

Dated December 2, 1993
/S/ Katherine M. Hudson

EXAMPLE

Assumptions: Stated Amount is \$500,000. Special Supplemental Retirement Payments become due because of the executive's death in December, 2001. The Interest Equivalent Credits which started January 1, 1999 have remained a constant 6%.

1)	Stated Amount on 1/1/99 =	\$500,000
	Interest Equivalent Credits added 3/31, 6/30, 9/30 and 12/31 at \$7,500 each	\$ 30,000
2)	Stated Amount 12/31/99	\$530,000
	Add Interest Equivalent credits during year 2000 on starting balance of \$530,000.	
	530,000 x 6%	\$ 31,800
3)	Stated Amount 12/31/00	\$561,800
	Add Interest Equivalent credits during year 2001	
	561,800 x 6% =	\$ 33,708
	Stated Amount 12/31/01	\$595,508
4)	Payout to Executive's Beneficiary Begins January 1, 2002	
	1st payment, 1/10th x 595,508 =	\$ 59,550.80
	Stated Amount 1/2/02 Less payment	\$595,508.00 (59,550.80) \$535,957.20
	Add Interest Equivalent credits during year 2002	
	535,957.20 x 6% =	32,157.43
	Stated Amount 12/31/02	\$568,114.63
5)	2nd payment, 1/9th x 568,114.63 = on January 1, 2003	\$ 63,123.85
	Stated Amount 1/2/03 Less payment	\$568,114.63 (63,123.85) \$504,990.78
	Add Interest Equivalent credits during year 2003	
	504,990.78 x 6% =	30,299.45
	Stated Amount 12/31/03	\$535,290.23
6)	3rd Payment, 1/8th x \$535,290.23 =	\$ 66,911.28
	Stated Amount 1/2/04 Less payment	\$535,290.23 (66,911.28) \$468,378.95
	Add Interest Equivalent credits during year 2004	
	468,378.95 x 6% =	28,102.74
	Stated Amount 12/31/04	\$496,481.69

7) 4th Payment, $1/7\text{th} \times \$496,481.69 =$ \$ 70,925.96
(etc., until all of the funds credited to the Stated Amount
are paid.)

CONFIDENTIAL INFORMATION AGREEMENT

W.H. Brady Co. (the Company) is engaged in the development, manufacture and sale of a variety of products based upon experimental and inventive work and has accumulated substantial information not generally known relating to existing and contemplated products, manufacturing procedures, methods, machines, compositions, technology, formulas, know how, research and development programs and plans, sales methods, customer lists, customer usages and requirements and other confidential business information, trade secrets and data (hereinafter referred to as Confidential Information) which represents in part or has resulted from the composite knowledge and experience of its personnel arising through their mutual efforts and contributions to the conduct and success of the Company's business.

I am now employed or am desirous of being employed by the Company in a capacity which, by the nature of my duties I have or will have or expect to learn, receive or have access to Confidential Information as mutually acknowledged that such Confidential Information is vital to the personal development, advancement and economic security of each person who looks to the Company, as an integral part of his employment relationship, as the principal means for providing continuing opportunities for personal growth and promotion, and that the acquisition of such Confidential Information by a competitor would not only injure the Company but also put in jeopardy the investment Company personnel have in their jobs.

DEFINITION OF TERMS:

"Company" in addition to W.H. Brady Co. shall include its subsidiaries.

"Subsidiaries" means any corporation of which 50% or more of the common or ordinary shares entitled to vote for the election of directors are now or hereafter owned directly or indirectly by the Company.

"Competitor" means any corporation, person, firm or organization (or division or part thereof) engaged in or about to become engaged in research and development work on or the production and/or sale of any product in the United States or Canada which is directly competitive with one with respect to which I acquired Confidential Information by reason of my work with the Company.

"Competitive Product" means a product, made by a Competitor, which is the same as or is directly competitive with one with respect to which I acquired Confidential Information by reason of my work with the Company.

IN CONSIDERATION OF AND AS A CONDITION TO AND AS PART OF THE TERMS OF MY EMPLOYMENT AND/OR CONTINUED EMPLOYMENT during such time as may be mutually agreeable and the payment of compensation by the Company:

1. I agree that:

- A. Except as required by my duties to the Company, I will not at any time directly or indirectly disclose to or use for others, any Confidential Information without first obtaining the written consent of the Company to do so.
- B. All records of Confidential Information prepared by me or which come into my possession or to which I have access during my employment by the Company are and shall remain the property of the Company, and upon termination of my employment, I will not remove any such records or copies thereof but all thereof shall be left with the Company.

2. In addition to and independent of the other provisions hereof, I further agree that I will not, for a period of two (2) years (or if employed by the Company less than two years, then for such shorter period equivalent to the duration of my employment but in no event less than twelve months) from the date of termination of employment with the Company:

- A. Render services, directly or indirectly, to any Competitor in connection with the development, manufacture, and merchandising or promotion of Competitive Products.
- B. Render services, directly or indirectly, to any Competitor except that I may accept employment with a business entity which is diversified and made up of separate divisions and which, as to part of its business, is not a Competitor, provided the Company shall be furnished prior to such employment definite written assurances satisfactory to it, separately from me and such business entity that I will not be expected, required or permitted to and in fact do not render services directly or indirectly to a division or part of such business entity which division part is a Competitor during such period.
- C. Engage either directly or indirectly within the United States or America or Canada for myself or as an investor in the development, manufacture, purchase or sale of any Competitive Product.

If I notify an officer of the Company of the occupation I propose to take up after termination of employment with the Company and furnish the Company such written or oral information as it may reasonably request concerning such proposed occupation, the Company shall notify me promptly and in any event within 30 days after receipt of the requested information whether or not it considers such occupation based upon the information so furnished or derived from its independent investigation, comes within the provisions of this paragraph 2 or if it considers such occupation to come within the provisions of this paragraph 2 whether it will waive any of the provisions thereof.

The validity of this paragraph 2 shall be determined by the law of the forum in which enforcement is sought by the Company. Paragraphs 1 and 2 hereof are separate and divisible, one from the other.

3. If I am unable to obtain employment consistent with my training and education solely because of the provisions of paragraph 2, said provisions shall be binding only for so long as the Company shall make payments to me equal to my monthly base pay at the date of termination of my employment with the Company (exclusive of extra compensation or other employment benefits) for each month or portion thereof in which I have been unable to obtain employment solely because of the provisions of paragraph 2 and so notify the Company in writing, setting forth my efforts to obtain such employment and advising that although I have conscientiously sought such employment, I have been unable to obtain the same solely because of the provisions of said paragraph 2.

The Company's obligation to make the monthly payments shall terminate (i) upon giving me a written release from all obligations under paragraph 2 or (ii) upon my obtaining employment. I agree to promptly give written notice to the Company when I secure employment.

The Company's obligation to make the monthly payments shall in no event continue for more than 24 months (or for such shorter period not less than 12 months equivalent to the duration of employment if employed less than two years) immediately following the termination of my employment with the Company, and in no event shall the Company be liable, under this agreement, for any amount in excess thereof.

All payments due hereunder shall be made in accordance with the Company's established procedures.

4. In the event I fail to observe any of the provisions of this Agreement, I agree to pay the Company on demand all sums expended by it in attempting to secure new employment for me, including amounts paid to organizations engaged in such business and the amount of any salary continuation payments paid me following the effective date of the termination of my employment, it being recognized that such amounts and such payments will be expended or made by the Company in reliance upon my full and faithful observance of the terms hereof, such right of recoupment being in addition to all other rights of the Company to enforce this Agreement.

5. I agree to notify any prospective employer of the existence of this agreement.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this second day of December, 1993, and hereby certify that I HAVE READ AND FULLY UNDERSTAND THE MEANING AND IMPORT OF THIS AGREEMENT, AND THAT I HAVE RECEIVED A COPY THEREOF.

/S/ Katherine M. Hudson
(seal)

Accepted for the Company

by

Title

Date