

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q



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

For the Quarterly Period Ended April 30, 2007

OR



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

For the Transition Period from _____ to _____

Commission File Number 1-14959

BRADY CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin

(State or other jurisdiction of
incorporation or organization)

39-0178960

(I.R.S. Employer
Identification No.)

6555 West Good Hope Road, Milwaukee, Wisconsin 53223

(Address of principal executive offices)
(Zip Code)

(414) 358-6600

(Registrant's telephone number, including area code)

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

As of June 4, 2007, there were outstanding 50,481,786 shares of Class A Nonvoting Common Stock and 3,538,628 shares of Class B Voting Common Stock. The Class B Common Stock, all of which is held by affiliates of the Registrant, is the only voting stock.

FORM 10-Q
BRADY CORPORATION

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	<u>April 30, 2007</u> (Unaudited)	<u>July 31, 2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 119,338	\$ 113,008
Short term investments	1,200	11,500
Accounts receivable, less allowance for losses (\$8,828 and \$6,390, respectively)	240,055	187,907
Inventories:		
Finished products	82,295	59,365
Work-in-process	20,437	12,850
Raw materials and supplies	41,548	37,702
Total inventories	144,280	109,917
Prepaid expenses and other current assets	41,738	36,825
Total current assets	546,611	459,157
Other assets:		
Goodwill	724,404	587,642
Other intangible assets	159,384	134,111
Deferred income taxes	37,185	34,135
Other	20,633	10,235
Property, plant and equipment:		
Cost:		
Land	6,299	6,548
Buildings and improvements	85,825	78,418
Machinery and equipment	235,914	198,426
Construction in progress	24,811	12,098
	352,849	295,490
Less accumulated depreciation	180,640	155,584
Net property, plant and equipment	172,209	139,906
Total	<u>\$ 1,660,426</u>	<u>\$ 1,365,186</u>
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current liabilities:		
Accounts payable	\$ 94,415	\$ 78,585
Wages and amounts withheld from employees	62,560	61,778
Taxes, other than income taxes	6,881	6,231
Accrued income taxes	30,897	25,243
Other current liabilities	51,531	46,763
Short-term borrowings and current maturities on long-term obligations	7	20
Total current liabilities	246,291	218,620
Long-term obligations, less current maturities	500,017	350,018
Other liabilities	63,719	50,502
Total liabilities	810,027	619,140
Stockholders' investment:		
Class A nonvoting common stock — Issued 50,481,743 and 50,481,743 shares, respectively and outstanding 50,423,441 and 50,188,842 shares, respectively	505	505
Class B voting common stock — Issued and outstanding 3,538,628 shares	35	35
Additional paid-in capital	260,342	258,922
Earnings retained in the business	521,567	460,991
Treasury stock — 58,302 and 292,901 shares, respectively of Class A nonvoting common stock, at cost	(2,218)	(10,865)
Accumulated other comprehensive income	69,420	35,696
Other	748	762
Total stockholders' investment	850,399	746,046
Total	<u>\$ 1,660,426</u>	<u>\$ 1,365,186</u>

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

	Three Months Ended April 30, (Unaudited)			Nine Months Ended April 30, (Unaudited)		
	2007	2006	Percentage Change	2007	2006	Percentage Change
Net sales	\$ 346,332	\$ 266,494	30.0%	\$ 999,866	\$ 730,103	36.9%
Cost of products sold	<u>177,181</u>	<u>125,739</u>	40.9%	<u>516,426</u>	<u>348,252</u>	48.3%
Gross margin	169,151	140,755	20.2%	483,440	381,851	26.6%
Operating expenses:						
Research and development	8,739	7,314	19.5%	26,353	20,677	27.5%
Selling, general and administrative	<u>114,109</u>	<u>89,215</u>	27.9%	<u>326,119</u>	<u>241,543</u>	35.0%
Total operating expenses	122,848	96,529	27.3%	352,472	262,220	34.4%
Operating income	46,303	44,226	4.7%	130,968	119,631	9.5%
Other income (expense):						
Investment and other income — net	385	2,279	-83.1%	917	2,759	-66.8%
Interest expense	<u>(6,428)</u>	<u>(4,496)</u>	43.0%	<u>(16,407)</u>	<u>(8,920)</u>	83.9%
Income before income taxes	40,260	42,009	-4.2%	115,478	113,470	1.8%
Income taxes	<u>11,273</u>	<u>11,763</u>	-4.2%	<u>32,334</u>	<u>31,772</u>	1.8%
Net income	<u>\$ 28,987</u>	<u>\$ 30,246</u>	-4.2%	<u>\$ 83,144</u>	<u>\$ 81,698</u>	1.8%
Per Class A Nonvoting Common Share:						
Basic net income	\$ 0.54	\$ 0.62	-12.9%	\$ 1.54	\$ 1.67	-7.2%
Diluted net income	\$ 0.53	\$ 0.61	-13.1%	\$ 1.52	\$ 1.64	-7.3%
Dividends	\$ 0.14	\$ 0.13	7.7%	\$ 0.42	\$ 0.39	7.7%
Per Class B Voting Common Share:						
Basic net income	\$ 0.54	\$ 0.62	-12.9%	\$ 1.53	\$ 1.65	-6.7%
Diluted net income	\$ 0.53	\$ 0.61	-13.1%	\$ 1.50	\$ 1.62	-6.8%
Dividends	\$ 0.14	\$ 0.13	7.7%	\$ 0.40	\$ 0.37	8.1%
Weighted average common shares outstanding (in thousands):						
Basic	53,953	48,923		53,860	49,039	
Diluted	54,717	49,833		54,704	49,962	

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended April 30, (Unaudited)	
	2007	2006
Operating activities:		
Net income	\$ 83,144	\$ 81,698
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,403	23,973
Gain on foreign currency contract	—	(1,517)
Deferred income taxes	(2,129)	(3,500)
(Gain) loss on disposal of property, plant & equipment	(182)	188
Provision for losses on accounts receivable	1,800	1,102
Non-cash portion of stock-based compensation expense	5,022	4,275
Changes in operating assets and liabilities (net of effects of business acquisitions):		
Accounts receivable	(21,946)	(25,570)
Inventories	(17,544)	(14,123)
Prepaid expenses and other assets	(14,634)	(2,604)
Accounts payable and accrued liabilities	(2,454)	(3,748)
Income taxes	4,008	(1,657)
Other liabilities	4,169	4,813
Net cash provided by operating activities	79,657	63,330
Investing activities:		
Acquisition of businesses, net of cash acquired	(157,943)	(155,283)
Payments of contingent consideration	(10,906)	—
Purchases of short-term investments	(47,100)	(105,800)
Sales of short-term investments	57,400	82,900
Purchases of property, plant and equipment	(42,107)	(26,291)
Purchase of foreign currency contract	—	(2,134)
Proceeds from sale of property, plant and equipment	1,703	(51)
Other	(8,978)	(1,907)
Net cash used in investing activities	(207,931)	(208,566)
Financing activities:		
Payment of dividends	(22,073)	(19,070)
Proceeds from issuance of common stock	4,144	6,960
Principal payments on debt	(110,674)	(339,051)
Proceeds from issuance of debt	259,300	538,330
Purchase of treasury stock	—	(27,299)
Income tax benefit from the exercise of stock options	902	3,707
Net cash provided by financing activities	131,599	163,577
Effect of exchange rate changes on cash	3,005	(997)
Net increase in cash and cash equivalents	6,330	17,344
Cash and cash equivalents, beginning of period	113,008	72,970
Cash and cash equivalents, end of period	<u>\$ 119,338</u>	<u>\$ 90,314</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of capitalized interest	\$ 16,003	\$ 4,572
Income taxes, net of refunds	33,268	30,844
Acquisitions:		
Fair value of assets acquired, net of cash and goodwill	\$ 87,224	\$ 61,602
Liabilities assumed	(33,037)	(23,188)
Goodwill	<u>103,756</u>	<u>116,869</u>
Net cash paid for acquisitions	<u>\$ 157,943</u>	<u>\$ 155,283</u>

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended April 30, 2007
(Unaudited)
(In thousands, except share and per share amounts)

NOTE A — Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Brady Corporation and subsidiaries (the “Company” or “Brady”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, the foregoing statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of April 30, 2007 and July 31, 2006, its results of operations for the three and nine months ended April 30, 2007 and 2006, and its cash flows for the nine months ended April 30, 2007 and 2006. The condensed consolidated balance sheet as of July 31, 2006 has been derived from the audited consolidated financial statements of that date. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts therein. Due to the inherent uncertainty involved in making estimates, actual results in future periods may differ from the estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to rules and regulations of the Securities and Exchange Commission. Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statement presentation. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s latest annual report on Form 10-K for the year ended July 31, 2006.

Reclassifications — Certain prior period amounts have been reclassified to conform with the current period presentation.

NOTE B — Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended April 30, 2007, are as follows:

	<u>Americas</u>	<u>Europe</u>	<u>Asia-Pacific</u>	<u>Total</u>
Balance as of July 31, 2006	\$ 322,759	\$ 111,792	\$ 153,091	\$ 587,642
Goodwill acquired during the period	74,078	28,459	1,219	103,756
Adjustments for prior year acquisitions	1,159	10,151	4,239	15,549
Translation adjustments	764	9,344	7,349	17,457
Balance as of April 30, 2007	<u>\$ 398,760</u>	<u>\$ 159,746</u>	<u>\$ 165,898</u>	<u>\$ 724,404</u>

The following acquisitions completed during the nine months ended April 30, 2007 increased goodwill by the following amounts:

	<u>Segment</u>	<u>Goodwill</u>
Comprehensive Identification Products, Inc. (“CIPI”)	Americas, Europe and Asia-Pacific	\$ 19,472
Precision Converters, L.P. (“Precision Converters”)	Americas	9,574
Scafftag, Ltd., Safetrak, Ltd. and Scafftag Pty., Ltd. (collectively “Scafftag”)	Americas, Europe and Asia-Pacific	6,386
Asterisco Artes Graficas Ltda. (“Asterisco”)	Americas	8,436
Modernotecnica SpA (“Moderno”)	Europe	10,534
Clement Communications, Inc. (“Clement”)	Americas	14,466
Sorbent Products Co., Inc. (“Sorbent”)	Americas, Europe and Asia-Pacific	34,888
Total		<u>\$103,756</u>

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Goodwill also increased \$15,549 during the nine months ended April 30, 2007, as a result of adjustments to the preliminary allocation of the purchase price for acquisitions completed in fiscal 2006 and the recording of \$1,577 for the contingent payment due to the previous owners of QDP Thailand Co., Ltd. (“QDPT”), which was acquired in fiscal 2006 (see Note E for more information). The largest components of the increase were as a result of adjustments to the preliminary allocation of purchase price related to Tradex Converting AB (“Tradex”) and Daewon Industry Corporation (“Daewon”), which added \$10,412 and \$2,515, respectively.

Of the \$10,412 increase in goodwill related to the preliminary allocation of the purchase price for Tradex, \$6,461 of the increase was due to the accrual for planned cost reduction activities contemplated at the date of the acquisition. The accrual consists of \$2,511 for severance and other employee termination costs, \$2,714 for contract termination and facility exit costs, and \$1,236 for changes in the valuation of fixed assets. As of April 30, 2007, the remaining liability from such charges was approximately \$4,037.

Of the \$2,515 increase in goodwill related to the preliminary allocation of the purchase price for Daewon, \$1,829 of the increase was due to the finalization and payment of the purchase price adjustment owed to the former owners of Daewon.

The remaining \$17,457 increase to goodwill during the nine months ended April 30, 2007 was attributable to the effects of foreign currency translation.

Other intangible assets include patents, trademarks, customer relationships, purchased software, non-compete agreements and other intangible assets with finite lives being amortized in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets.” The net book value of these assets was as follows:

	April 30, 2007				July 31, 2006			
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Amortized other intangible assets:								
Patents	15	\$ 8,516	\$ (5,741)	\$ 2,775	15	\$ 7,885	\$ (5,134)	\$ 2,751
Trademarks and other	5	4,270	(3,046)	1,224	6	3,328	(2,106)	1,222
Customer relationships	7	139,428	(31,684)	107,744	7	109,955	(17,693)	92,262
Purchased software	5	3,292	(2,378)	914	5	3,288	(1,887)	1,401
Non-compete agreements	4	12,151	(6,016)	6,135	4	9,757	(4,448)	5,309
Unamortized other intangible assets:								
Trademarks	N/A	40,592	—	40,592	N/A	31,166	—	31,166
Total		\$ 208,249	\$ (48,865)	\$ 159,384		\$ 165,379	\$ (31,268)	\$ 134,111

The acquisitions completed during the nine months ended April 30, 2007 (see Note E for more information) contributed to the increases in each of the categories of other intangible assets listed above. The increase in customer relationships relates to the acquisitions of CIPI, Precision Converters, Scafftag, Asterisco, Moderno, Clement and Sorbent which added \$5,633, \$1,415, \$3,279, \$5,133, \$6,570, \$1,400, and \$880 respectively. These assets will be amortized over a weighted average amortization period of 6.4 years. The increase in unamortized trademarks primarily relates to the acquisition of Sorbent, which added \$8,510.

The value of goodwill and other intangible assets in the Condensed Consolidated Financial Statements at April 30, 2007, differs from the value assigned to them in the allocation of purchase price due to the effect of fluctuations in the exchange rates used to translate financial statements into the United States Dollar between the date of acquisition and April 30, 2007.

Amortization expense on intangible assets was \$5,673 and \$4,084 for the three-month periods ended April 30, 2007 and 2006, respectively and \$16,634 and \$9,414 for the nine-month periods ended April 30, 2007 and 2006, respectively. The amortization over each of the next five fiscal years is projected to be \$24,154, \$24,299, \$23,377, \$22,187 and \$18,560 for the years ending July 31, 2007, 2008, 2009, 2010 and 2011, respectively.

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NOTE C — Comprehensive Income

Total comprehensive income, which was comprised of net income, foreign currency adjustments and net unrealized gains and losses from cash flow hedges, amounted to approximately \$49,365 and \$34,579 for the three months ended April 30, 2007 and 2006, respectively, and \$116,868 and \$89,399 for the nine months ended April 30, 2007 and 2006, respectively.

NOTE D — Net Income Per Common Share

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

	<u>Three Months Ended April 30,</u>		<u>Nine Months Ended April 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Numerator:				
Net income (numerator for basic and diluted Class A net income per share)	\$ 28,987	\$ 30,246	\$ 83,144	\$ 81,698
Less:				
Preferential dividends	—	—	(836)	(758)
Preferential dividends on dilutive stock options	—	—	(15)	(16)
Numerator for basic and diluted Class B net income per share	<u>\$ 28,987</u>	<u>\$ 30,246</u>	<u>\$ 82,293</u>	<u>\$ 80,924</u>
Denominator:				
Denominator for basic net income per share for both Class A and Class B	53,953,000	48,923,000	53,860,000	49,039,000
Plus: Effect of dilutive stock options	<u>764,000</u>	<u>910,000</u>	<u>844,000</u>	<u>923,000</u>
Denominator for diluted net income per share for both Class A and Class B	<u>54,717,000</u>	<u>49,833,000</u>	<u>54,704,000</u>	<u>49,962,000</u>
Class A Nonvoting Common Stock net income per share:				
Basic	\$ 0.54	\$ 0.62	\$ 1.54	\$ 1.67
Diluted	\$ 0.53	\$ 0.61	\$ 1.52	\$ 1.64
Class B Voting Common Stock net income per share:				
Basic	\$ 0.54	\$ 0.62	\$ 1.53	\$ 1.65
Diluted	\$ 0.53	\$ 0.61	\$ 1.50	\$ 1.62

Options to purchase 1,259,500 and 1,052,833 shares of Class A Nonvoting Common Stock for the three and nine months ended April 30, 2007, respectively, and 614,500 and 621,500 shares of Class A Nonvoting Common Stock for the three and nine months ended April 30, 2006, respectively, were not included in the computations of diluted net income per share because the option exercise price was greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

NOTE E — Acquisitions

During the nine months ended April 30, 2007, the Company acquired the following companies for a total combined purchase price, net of cash acquired, of \$157,943. A brief description of each company acquired during the nine months is included below.

CIPi is headquartered in Burlington, Massachusetts, with operations in Hong Kong, China and the Netherlands. CIPi is a market leader in badging accessories used to identify and track employees and visitors in a variety of settings including businesses, healthcare facilities, special events and government buildings. CIPi was acquired in August 2006.

Precision Converters is located in Dallas, Texas and is a supplier of die-cut products to the medical market with a specific focus on disposable, advanced wound-care products. Precision Converters was acquired in October 2006.

Scafftag is located in Barry, Wales, U.K., with operations in Australia and in the United States and a sales office in the United Arab Emirates. Scafftag is an industry leader in safety identification and facility management products in the U.K., specializing in products that help companies meet legislative requirements for safety standards in the oil and gas, construction and scaffolding industries. Scafftag was acquired in December 2006.

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Asterisco is located in Sao Paulo, Brazil and is a leading manufacturer of industrial high-performance labels in Brazil, specializing in custom labels printed on film materials for the electronics, automotive, pharmaceutical and other industries. Asterisco was acquired in December 2006.

Moderno is located in Milan, Italy and is a wire-identification manufacturer serving the Maintenance, Repair and Operations market with products used primarily in the electrical industry. Moderno was acquired in December 2006.

Clement is located in Concordville, Pennsylvania and is a direct marketer of posters, newsletters, guides and handbooks that address safety, quality, teamwork, sales employment practices, customer service and OSHA regulations. Clement was acquired in February 2007.

Sorbent is headquartered in Somerset, New Jersey, with operations in Belgium and Hong Kong. Sorbent is a leading manufacturer and marketer of synthetic sorbent materials used in a variety of industrial maintenance and environmental applications for spill clean-up, containment and control. Sorbent was acquired in April 2007.

The purchase agreements for Scafftag and Asterisco each include provisions for contingent payments based upon meeting certain performance conditions over a period of time subsequent to the acquisition. The total maximum contingent payments of \$5.2 million have not been accrued as liabilities in the accompanying consolidated financial statements as the payments are based on attaining certain financial results which have not been achieved as of April 30, 2007. Approximately \$4.9 million of the contingency related to the Asterisco acquisition has been placed in an escrow account in compliance with the terms of the purchase agreement. This cash outflow has been recorded in other investing activities on the accompanying consolidated statement of cash flows for the nine months ended April 30, 2007. The purchase agreement of Asterisco also includes a holdback provision of approximately \$2.3 million that has been recorded as a liability in the accompanying consolidated financial statements.

The allocation of the purchase price of each company acquired during the nine months ended April 30, 2007, is preliminary pending the final valuation of intangible assets as well as certain tangible assets and liabilities. The following table summarizes the combined estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisitions.

Current assets	\$ 37,983
Property, plant & equipment	12,579
Goodwill	103,756
Customer relationships	24,310
Non-compete agreements	1,908
Patents	300
Trademarks and other intangible assets	10,144
Total assets acquired	190,980
Liabilities assumed	(33,037)
Net assets acquired	<u>\$ 157,943</u>

Of the \$103,756 allocated to goodwill, \$65,060 is expected to be deductible for tax purposes based on preliminary analysis.

The purchase agreement for the acquisition of QDPT that was completed in fiscal 2006 included a provision for contingent payments based upon meeting certain performance conditions over a period of time subsequent to the acquisition. As the performance conditions of the agreement have been met in fiscal 2007, \$1,577 has been recorded as goodwill on the accompanying condensed consolidated financial statements and paid in the nine months ended April 30, 2007.

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NOTE F — Segment Information

The Company's reportable segments are geographical regions that are each managed separately. The Company has three reportable segments: Americas, Europe and Asia-Pacific. Following is a summary of segment information for the three months and nine months ended April 30, 2007 and 2006:

	<u>Americas</u>	<u>Europe</u>	<u>Asia-Pacific</u>	<u>Subtotals</u>	<u>Corporate And Eliminations</u>	<u>Totals</u>
Three months ended April 30, 2007:						
Revenues from external customers	\$ 153,861	\$ 111,266	\$ 81,205	\$ 346,332	\$ —	\$ 346,332
Intersegment revenues	13,378	1,954	6,131	21,463	(21,463)	—
Segment profit (loss)	37,465	29,370	11,861	78,696	(1,310)	77,386
Three months ended April 30, 2006:						
Revenues from external customers	\$ 137,438	\$ 80,420	\$ 48,636	\$ 266,494	\$ —	\$ 266,494
Intersegment revenues	12,152	1,052	964	14,168	(14,168)	—
Segment profit (loss)	35,026	21,304	12,397	68,727	(2,724)	66,003
Nine months ended April 30, 2007:						
Revenues from external customers	\$ 440,792	\$ 302,478	\$ 256,596	\$ 999,866	\$ —	\$ 999,866
Intersegment revenues	37,876	4,404	16,824	59,104	(59,104)	—
Segment profit (loss)	103,163	74,978	46,391	224,532	(5,733)	218,799
Nine months ended April 30, 2006:						
Revenues from external customers	\$ 363,446	\$ 230,466	\$ 136,191	\$ 730,103	\$ —	\$ 730,103
Intersegment revenues	42,560	3,199	4,778	50,537	(50,537)	—
Segment profit (loss)	92,188	62,071	37,124	191,383	(7,741)	183,642

Following is a reconciliation of segment profit to net income for the three months and nine months ended April 30, 2007 and 2006.

	<u>Three months ended:</u> <u>April 30,</u>		<u>Nine months ended:</u> <u>April 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Total profit from reportable segments	\$ 78,696	\$ 68,727	\$ 224,532	\$ 191,383
Corporate and eliminations	(1,310)	(2,724)	(5,733)	(7,741)
Unallocated amounts:				
Administrative costs	(31,083)	(21,777)	(87,831)	(64,011)
Investment and other income	385	2,279	917	2,759
Interest expense	(6,428)	(4,496)	(16,407)	(8,920)
Income before income taxes	40,260	42,009	115,478	113,470
Income taxes	(11,273)	(11,763)	(32,334)	(31,772)
Net income	<u>\$ 28,987</u>	<u>\$ 30,246</u>	<u>\$ 83,144</u>	<u>\$ 81,698</u>

NOTE G —Stock-Based Compensation

The Company has an incentive stock plan under which the Board of Directors may grant nonqualified stock options to purchase shares of Class A Nonvoting Common Stock to employees. Additionally, the Company has a nonqualified stock option plan for non-employee directors under which stock options to purchase shares of Class A Nonvoting Common Stock are available for grant. The options have an exercise price equal to the fair market value of the underlying stock at the date of grant and generally vest ratably over a three-year period, with one-third becoming exercisable one year after the grant date and one-third additional in each of the succeeding two years. Options issued under these plans, referred to herein as “service-based” options, generally expire 10 years from the date of grant. The Company also grants stock options to certain executives and key management employees that vest upon meeting certain financial performance conditions over the vesting schedule described above. These options are referred to herein as “performance-based” options. All performance-based options that were granted in fiscal 2006 and in prior years expire five years from the date of grant. Beginning in fiscal 2007, any performance options granted expire 10 years from the date of grant.

As of April 30, 2007, the Company has reserved 4,454,452 shares of Class A Nonvoting Common Stock for outstanding stock options and 1,974,000 shares of Class A Nonvoting Common Stock remain for future issuance of stock options under the various plans. The Company uses treasury stock or will issue new Class A Nonvoting Common Stock to deliver shares under these plans.

The Company accounts for share-based compensation awards in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 123(R), “Share Based Payment”. In accordance with this standard, the Company recognizes the compensation cost of all share-based awards on a straight-line basis over the vesting period of the award. Total stock compensation expense recognized by the Company during the three months ended April 30, 2007 and 2006 was \$1,353 (\$825 net of taxes) and \$1,448 (\$884 net of taxes), respectively, and expense recognized during the nine months ended April 30, 2007 and 2006 was \$5,022 (\$3,063 net of taxes) and \$4,275 (\$2,608 net of taxes), respectively. As of April 30, 2007, total unrecognized compensation cost related to share-based compensation awards was approximately \$14,618 pre-tax, net of estimated forfeitures, which the Company expects to recognize over a weighted-average period of approximately 2.1 years.

The Company has estimated the fair value of its service-based and performance-based option awards granted during the nine months ended April 30, 2007 and 2006, using the Black-Scholes option valuation model. The weighted-average assumptions used in the Black-Scholes valuation model are reflected in the following table:

Black-Scholes Option Valuation Assumptions	Nine Months Ended April 30, 2007		Nine Months Ended April 30, 2007	
	Service-Based Option Awards	Performance- Based Option Awards	Service-Based Option Awards	Performance- Based Option Awards
Expected term (in years)	6.07	6.57	5.72	3.39
Expected volatility	34.01%	34.66%	34.56%	31.10%
Expected dividend yield	1.46%	1.51%	1.52%	1.50%
Risk-free interest rate	4.52%	4.90%	4.50%	4.09%
Weighted-average market value of underlying stock at grant date	\$ 38.19	\$ 33.32	\$ 37.64	\$ 33.89
Weighted-average exercise price	\$ 38.19	\$ 33.32	\$ 37.64	\$ 33.89
Weighted-average fair value of options granted during the period	\$ 13.57	\$ 12.57	\$ 13.10	\$ 8.34

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

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A summary of stock option activity under the Company's share-based compensation plans for the nine months ended April 30, 2007 is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at July 31, 2006	3,815,052	\$ 23.27		
New grants	905,000	\$ 36.76		
Exercised	(240,599)	\$ 17.67		
Forfeited or expired	(25,001)	\$ 31.77		
Outstanding at April 30, 2007	<u>4,454,452</u>	\$ 26.20	7.0	\$ 36,242
Exercisable at April 30, 2007	<u>2,444,456</u>	\$ 20.69	5.8	<u>\$ 30,729</u>

The total intrinsic value of options exercised during the nine months ended April 30, 2007 and 2006, based upon the average market price during the period, was approximately \$5,016 and \$10,752, respectively. The total fair value of stock options vested during the nine months ended April 30, 2007 and 2006, was approximately \$4,592 and \$3,100, respectively.

NOTE H — Debt

On October 5, 2006, the Company entered into a \$200 million multi-currency revolving loan agreement with a group of five banks. At the Company's option, and subject to certain standard conditions, the available amount under the credit facility may be increased from \$200 million up to \$300 million. Under the five-year agreement, which has a final maturity date of October 5, 2011, the Company has the option to select either a base interest rate (based upon the higher of the federal funds rate plus one-half of 1% or the prime rate of Bank of America) or a Eurocurrency interest rate (at the LIBOR rate plus a margin based on the Company's consolidated leverage ratio). A commitment fee is payable on the unused amount of the facility. The agreement requires the Company to maintain two financial covenants. As of April 30, 2007, the Company was in compliance with the covenants of the agreement. The agreement restricts the amount of certain types of payments, including dividends, which can be made annually to \$50 million plus an amount equal to 75% of consolidated net income for the prior fiscal year of the Company. The Company believes that based on historic dividend practice, this restriction would not impede the Company in following a similar dividend practice in the future. As of April 30, 2007, there were no outstanding borrowings under the credit facility.

On March 23, 2007, the Company completed the private placement of \$150 million in ten-year fixed notes at 5.33% interest to institutional investors. The notes will be amortized in equal installments over seven years, beginning in 2011, with interest payable on the notes semiannually on September 23 and March 23, beginning in September 2007. The notes have been fully and unconditionally guaranteed on an unsecured basis by the Company's domestic subsidiaries. The Company used the net proceeds of the offering to reduce outstanding indebtedness under the Company's revolving loan agreement and fund its ongoing strategic growth plan. The private placement was exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for repaying them prior to the maturity date. The agreement also requires the Company to maintain a financial covenant. As of April 30, 2007, the Company was in compliance with this covenant.

NOTE I — Employee Benefit Plans

The Company provides post-retirement 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, are covered by an unfunded, contributory post-retirement 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 are based on the employee's age and service at retirement.

The Company accounts for post-retirement benefits other than pensions in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The Company funds benefit costs on a pay-as-you-go basis. There have been no changes to the components of net periodic benefit cost or the amount that the Company expects to fund in fiscal 2007 from those reported thereto in Note 3 to the consolidated financial statements included in the Company's latest annual report on Form 10-K for the year ended July 31, 2006.

NOTE J — New Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (“FASB”) issued FIN 48, “Accounting for Uncertainty in Income Taxes.” This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, “Accounting for Income Taxes.” This interpretation establishes a threshold condition that a tax position must meet for any part of the benefit of that position to be recognized in the financial statements. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company has not yet completed the process of evaluating the impact that will result from adopting FIN 48 and therefore is unable to disclose the impact that adopting FIN 48 will have on its financial position and results of operations when such statement is adopted.

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 157, “Fair Value Measurements.” This statement provides guidance on how to measure the fair value of assets and liabilities utilizing a fair value hierarchy to classify the sources of information used in the measurement calculation. SFAS No. 157 also provides new disclosure rules for assets and liabilities measured at fair value based on their level in the fair value hierarchy. This new statement will be effective for fiscal years beginning after November 15, 2007. The Company expects that the adoption of SFAS No. 157 will not have a material effect on its consolidated financial statements.

In October 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans.” This statement requires full recognition of the funded status of defined benefit and other postretirement plans on the balance sheet as an asset or a liability. SFAS No. 158 also continues to require that unrecognized prior service costs/credits, gains/losses, and transition obligations/assets be recorded in Accumulated Other Comprehensive Income, thus not changing the income statement recognition rules for such plans. This new statement will be effective for fiscal years ending after December 15, 2006. The Company expects that the adoption of SFAS No. 158 will not have a material effect on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” This statement permits entities to choose to use the fair value option to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting. This new statement will be effective for fiscal years beginning after November 15, 2007. The Company expects that the adoption of SFAS No. 159 will not have a material effect on its consolidated financial statements.

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

Overview

Brady is an international manufacturer and marketer of identification solutions and specialty materials that identify and protect premises, products, and people. Its products include high-performance labels and signs, printing systems and software, label-application and data-collection systems, safety devices and precision die-cut materials. Founded in 1914, the Company serves customers in electronics, telecommunications, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, transportation and a variety of other industries. The Company manufactures and sells products domestically and internationally through multiple channels including distributor sales, direct sales, mail-order catalogs, telemarketing, retail and electronic access through the Internet. The Company operates manufacturing or distribution facilities in Australia, Belgium, Brazil, Canada, China, Denmark, France, Germany, Hong Kong, India, Italy, Korea, Malaysia, Mexico, Norway, Singapore, Slovakia, Sweden, Thailand, the United Kingdom and the United States. Brady sells through subsidiaries or sales offices in these countries, with additional sales through a dedicated team of international sales representatives in Japan, the Netherlands, the Philippines, Spain, Taiwan, Turkey and the United Arab Emirates and further markets its products to parts of Eastern Europe, the Middle East, Africa and Russia. The Company believes that its reputation for innovation, commitment to quality and service, and dedicated employees have made it a world leader in the markets it serves.

Sales for the quarter ended April 30, 2007, were up 30.0% to \$346.3 million, compared to \$266.5 million in the same period of fiscal 2006. Of the increase in sales, organic growth accounted for 1.4%, acquisitions added 23.8% and the effects of fluctuations in the exchange rates used to translate financial results into the United States dollar added 4.8%. Net income for the quarter ended April 30, 2007, was \$29.0 million or \$0.53 per diluted Class A Nonvoting Common Share, down 4.2% and 13.1%, respectively, from \$30.2 million, or \$0.61 per diluted Class A Nonvoting Common Share reported in the third quarter of last fiscal year. Net income per share comparisons were negatively affected by the Company's July 2006 sale of an additional 4.6 million shares of Class A Nonvoting Common Stock in a public offering.

Sales for the nine months ended April 30, 2007, increased 36.9% to \$999.9 million, compared to \$730.1 million in the same period of fiscal 2006. Organic growth accounted for 3.8%, acquisitions added 29.1% and the effects of fluctuations in the exchange rates used to translate financial results into the United States dollar added 4.0%. Net income for the nine months ended April 30, 2007, was \$83.1 million or \$1.52 per diluted Class A Nonvoting Common Share, up 1.8% and down 7.3%, respectively, from \$81.7 million, or \$1.64 per diluted Class A Nonvoting Common Share reported in the same period of the prior fiscal year. Net income per share comparisons were negatively affected by the Company's July 2006 sale of an additional 4.6 million shares of Class A Nonvoting Common Stock in a public offering.

Results of Operations

The comparability of the operating results for the three and nine months ended April 30, 2007, to the same periods of the prior year has been significantly impacted by the following acquisitions completed in fiscal 2007 and fiscal 2006.

Acquisitions	Segment	Date Completed
STOPware, Inc. ("Stopware")	Americas	August 2005
Texit Danmark AS and Texit Norge AS (collectively "Texit")	Europe	September 2005
TruMed Technologies, Inc. ("TruMed")	Americas	October 2005
QDP Thailand Co., Ltd ("QDPT")	Asia-Pacific	October 2005
J.A.M. Plastics Inc. ("J.A.M.")	Americas	December 2005
Personnel Concepts	Americas	January 2006
IDenticard Systems, Inc. and Identacam Systems (collectively "Identocard")	Americas	February 2006
Accidental Health & Safety Pty. Ltd and Trafalgar First Aid Pty. Ltd. (collectively "Accidental Health")	Asia-Pacific	March 2006
Tradex Converting AB ("Tradex")	Americas, Europe and Asia-Pacific	May 2006
Carroll Australasia Pty. Ltd. ("Carroll")	Asia-Pacific	June 2006
Daewon Industry Corporation ("Daewon")	Asia-Pacific	July 2006
Comprehensive Identification Products, Inc. ("CIPI")	Americas, Europe and Asia-Pacific	August 2006
Precision Converters, L.P. ("Precision Converters")	Americas	October 2006
Scafftag Ltd., Safetrak, Ltd. and Scafftag Pty., Ltd. (collectively "Scafftag")	Americas, Europe and Asia-Pacific	December 2006
Asterisco Artes Graficas Ltda. ("Asterisco")	Americas	December 2006
Modernotecnica SpA ("Moderno")	Europe	December 2006
Clement Communications, Inc. ("Clement")	Americas	February 2007
Sorbent Products Co., Inc. ("Sorbent")	Americas, Europe and Asia-Pacific	April 2007

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Sales for the three months ended April 30, 2007, were up 30.0% compared to the same period in fiscal 2006. The increase was comprised of an increase of 1.4% attributed to organic growth, an increase of 4.8% due to the effect of currencies on sales, and an increase of 23.8% due to the acquisitions listed in the above table. The organic growth for the quarter ended April 30, 2007, was due to strong growth in the Europe segment, generating 10.1% organic growth, while the Americas segment was flat and the Asia-Pacific segment contracted 10.1%. The decline in Asia-Pacific was due to the loss of certain programs in the hard disk drive business due to industry consolidations and softening in Brady's high performance labeling businesses.

Sales for the nine months ended April 30, 2007, increased 36.9% compared to the same period in fiscal 2006. The increase was comprised of an increase of 3.8% attributed to organic growth, an increase of 4.0% due to the effect of currencies on sales, and an increase of 29.1% due to the acquisitions listed above. The organic growth was due to continued growth in Europe and Americas. The organic growth in Asia-Pacific for the nine-month period was slightly negative as the first quarter's double-digit organic growth was offset by the softening of Brady's high-performance labeling business experienced in the second and third quarters.

Gross margin as a percentage of sales decreased from 52.8% to 48.8% for the quarter and from 52.3% to 48.4% for the nine months ended April 30, 2007, compared to the same periods of the previous year. This decline was driven by the results in our OEM electronics business, primarily in the mobile handset business, and the high performance labeling business in Asia, as well as the acquisitions that Brady completed in the last 12 months, which were more heavily weighted towards OEM electronics, which is generally characterized by lower gross margins and lower selling, general and administrative ("SG&A") expenses.

Research and development ("R&D") expenses increased 19.5% to \$8.7 million for the quarter and 27.5% to \$26.4 million for the nine months ended April 30, 2007, compared to \$7.3 million and \$20.7 million for the same periods in the prior year, respectively. As a percentage of sales, R&D expenses represented a lower percentage of sales, declining from 2.7% in the third quarter of fiscal 2006 to 2.5% in the third quarter for fiscal 2007, and from 2.8% in the first nine months of fiscal 2006 to 2.6% in the first nine months of fiscal 2007. Brady continues to expand its investment in new product development.

SG&A expenses increased 27.9% to \$114.1 million for the three months ended April 30, 2007, compared to \$89.2 million for the same period in the prior year and 35.0% to \$326.1 million for the nine months ended April 30, 2007, compared to \$241.5 million for the same period in the prior year. These increases were expected due to acquisitions and a number of initiatives taking place this year, such as the continued integration of the acquisitions completed in fiscal 2006 and 2007, roll-out of SAP to an additional 18 of our locations around the world, creation of a business process shared service center in India, development of a customer call center in the Philippines, and geographic expansions in Eastern Europe, Mexico, China and India. As a percentage of sales, SG&A expenses declined from 33.5% to 32.9% for the quarter and from 33.1% to 32.6% for the nine months ended April 30, 2007, compared to the same periods in the prior year. The decline as a percentage of sales was due to changes in our sales mix towards the OEM electronics business, which typically has lower SG&A expenses.

The Company recorded expenses of \$2.7 million and \$3.9 million for the three and nine months ended April 30, 2007, respectively, for cost reduction actions, which are primarily recorded in SG&A. For the three months ended April 30, 2007, these actions consisted of \$2.4 million for severance and other employee termination costs, \$0.2 million for facility closure costs and \$0.1 million for asset write-offs. For the nine months ended April 30, 2007, the cost reduction actions consisted of \$3.5 million for severance and other employee termination costs, \$0.3 million for facility closure costs and \$0.1 million for asset write-offs. Pre-tax savings from these actions, and the charges for planned integration activities of acquisitions completed in the last 12 months that increased goodwill by \$6.6 million for the quarter and \$8.2 million for the nine-month period, are expected to be approximately \$10 million in fiscal 2008.

Investment and other income decreased from \$2.3 million to \$0.4 million for the quarter and from \$2.8 million to \$0.9 million for the nine months ended April 30, 2007, compared to the same periods in the prior year. The decrease was primarily due to a gain of approximately \$1.5 million on the currency option that the Company purchased in fiscal 2006 to hedge against increases in the purchase price in U.S. dollar terms of Tradex as the transaction was denominated in Swedish Krona.

Interest expense increased from \$4.5 million to \$6.4 million for the quarter and from \$8.9 million to \$16.4 million for the nine months ended April 30, 2007, compared to the same periods in the prior year. The increase in interest expense was due to the interest on the \$200 million private placement of senior notes that was completed in the third quarter of fiscal 2006, interest on the \$150 million private placement of senior notes that was completed in the third quarter of fiscal 2007, as well as interest on the borrowings under our revolving credit facility in the first nine months of fiscal 2007.

The Company's effective tax rate was 28.0% for the quarter and nine months ended April 30, 2007 and April 30, 2006.

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Net income for the three months ended April 30, 2007, decreased 4.2% to \$29.0 million, compared to \$30.2 million for the same quarter of the previous year. Net income as a percentage of sales decreased from 11.3% to 8.4% for the quarter ended April 30, 2007, compared to the same period in the prior year, due to the factors noted above. For the nine months ended April 30, 2007, net income increased 1.8% to \$83.1 million, compared to \$81.7 million for the same period in the previous year. Similar to the results for the quarter, as a percentage of sales, net income decreased from 11.2% to 8.3% for the nine months ended April 30, 2007, compared to the same period in the previous year. The decreases as a percentage of sales were due to the factors noted above. Results for the quarter and the nine months ended April 30, 2007 were also positively impacted by fluctuations in the exchange rates used to translate financial results into the United States dollar, increasing net income by \$0.04 per diluted Class A Nonvoting Common Share and \$0.06 per diluted Class A Nonvoting Common Share, respectively. Net income per share comparisons were diluted by the Company's July 2006 sale of an additional 4.6 million shares of Class A Nonvoting Common Stock in a public offering.

Business Segment Operating Results

Management of the Company evaluates results based on the following geographic regions: Americas, Europe, and Asia-Pacific.

(Dollars in thousands)	Americas	Europe	Asia-Pacific	Subtotals	Corporate And Eliminations	Total
SALES TO EXTERNAL CUSTOMERS						
Three months ended:						
April 30, 2007	\$ 153,861	\$ 111,266	\$ 81,205	\$ 346,332	—	\$ 346,332
April 30, 2006	137,438	80,420	48,636	266,494	—	266,494
Nine months ended:						
April 30, 2007	\$ 440,792	\$ 302,478	\$ 256,596	\$ 999,866	—	\$ 999,866
April 30, 2006	363,446	230,466	136,191	730,103	—	730,103
SALES GROWTH INFORMATION						
Three months ended April 30, 2007						
Base	0.4%	10.1%	-10.1%	1.4%	—	1.4%
Currency	0.1%	12.2%	5.7%	4.8%	—	4.8%
Acquisitions	11.5%	16.1%	71.4%	23.8%	—	23.8%
Total	12.0%	38.4%	67.0%	30.0%	—	30.0%
Nine months ended April 30, 2007						
Base	2.7%	8.2%	-0.7%	3.8%	—	3.8%
Currency	0.4%	9.5%	4.4%	4.0%	—	4.0%
Acquisitions	18.2%	13.6%	84.7%	29.1%	—	29.1%
Total	21.3%	31.3%	88.4%	36.9%	—	36.9%
SEGMENT PROFIT (LOSS)						
Three months ended						
April 30, 2007	\$ 37,465	\$ 29,370	\$ 11,861	\$ 78,696	\$ (1,310)	\$ 77,386
April 30, 2006	35,026	21,304	12,397	68,727	(2,724)	66,003
Percentage increase	7.0%	37.9%	-4.3%	14.5%	-51.9%	17.2%
Nine months ended						
April 30, 2007	\$ 103,163	\$ 74,978	\$ 46,391	\$ 224,532	\$ (5,733)	\$ 218,799
April 30, 2006	92,188	62,071	37,124	191,383	(7,741)	183,642
Percentage increase	11.9%	20.8%	25.0%	17.3%	-25.9%	19.1%

NET INCOME RECONCILIATION (Dollars in thousands)

	Three months ended:		Nine months ended:	
	April 30, 2007	April 30, 2006	April 30, 2007	April 30, 2006
Total profit from reportable segments	\$ 78,696	\$ 68,727	\$ 224,532	\$ 191,383
Corporate and eliminations	(1,310)	(2,724)	(5,733)	(7,741)
Unallocated amounts:				
Administrative costs	(31,083)	(21,777)	(87,831)	(64,011)
Investment and other income	385	2,279	917	2,759
Interest expense	(6,428)	(4,496)	(16,407)	(8,920)
Income before income taxes	40,260	42,009	115,478	113,470
Income taxes	(11,273)	(11,763)	(32,334)	(31,772)
Net income	<u>\$ 28,987</u>	<u>\$ 30,246</u>	<u>\$ 83,144</u>	<u>\$ 81,698</u>

The Company evaluates regional performance using sales and segment profit. Segment profit or loss does not include certain administrative costs, such as the cost of finance, information technology and human resources, which are managed as global functions, interest, investment and other income and income taxes.

Americas:

Americas sales increased 12.0% for the quarter and 21.3% for the nine months ended April 30, 2007, compared to the same periods in the prior year. Organic growth accounted for 0.4% and 2.7% of the growth in the quarter and year-to-date, respectively, as compared to the same periods in the previous year. Fluctuations in the exchange rates used to translate financial results into the United States dollar had a minimal impact on sales, increasing it by 0.1% in the quarter and 0.4% for the nine-month period. Sales in the region were increased by the current year acquisitions of CIPI, Precision Converters, Scafftag, Asterisco, Clement and Sorbent and the prior year acquisitions of TruMed, J.A.M., Personnel Concepts and Identocard, which increased sales by 11.5% for the quarter and 18.2% for the nine-month period. We believe our business in the current year quarter was impacted by the slowing economy in the United States.

Segment profit for the region increased 7.0% to \$37.5 million from \$35.0 million for the quarter and 11.9% to \$103.2 million from \$92.2 million for the nine months ended April 30, 2007, compared to the same periods in the prior year. As a percentage of sales, segment profit decreased from 25.5% to 24.3% in the third quarter of fiscal 2007 and from 25.4% to 23.4% in the nine months ended April 30, 2007, compared to the same periods in the prior year. The declines were due to the effect of recent acquisitions. As expected, the segment's recent acquisitions have produced an initial rate of profit that is below the average rate of profit of the segment. As we integrate the businesses and achieve synergies, the profit percentages are expected to increase.

Europe:

European sales increased 38.4% for the quarter and 31.3% for the nine months ended April 30, 2007, compared to the same periods in the prior year. Organic growth accounted for 10.1% and 8.2% of the growth in the quarter and year-to-date, respectively, compared to the same periods in the previous year. Sales were positively affected by fluctuations in the exchange rates used to translate financial results into the United States dollar, which increased sales within the region by 12.2% in the quarter and 9.5% for the nine-month period. The fiscal 2007 acquisitions of CIPI, Scafftag, Moderno and Sorbent and the fiscal 2006 acquisitions of Texit and Tradex increased sales by 16.1% for the quarter and 13.6% for the nine-month period. The organic growth in the quarter was due to growth in the majority of the businesses and countries as the European economy continues to strengthen. The region is benefiting from recent "No Smoking" legislation enacted in France and in the United Kingdom, which stimulates demand for certain of our product lines.

Segment profit for the region increased 37.9% to \$29.4 million from \$21.3 million for the quarter and 20.8% to \$75.0 million from \$62.1 million for the nine months ended April 30, 2007, compared to the same periods in the prior year. As a percentage of sales, segment profit decreased slightly from 26.5% to 26.4% in the third quarter of fiscal 2007 and from 26.9% to 24.8% in the nine months ended April 30, 2007, compared to the same periods in the prior year. The declines were due to the global headquarter costs of Tradex, offset by the strong performance of the direct marketing businesses in the region.

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Asia-Pacific:

Asia-Pacific sales increased 67.0% for the quarter and 88.4% for the nine months ended April 30, 2007, compared to the same periods in the prior year. Organic sales in local currency decreased 10.1% in the quarter and declined 0.7% year-to-date, compared to the same periods in the previous year. Sales were positively affected by fluctuations in the exchange rates used to translate financial results into the United States dollar, which increased sales within the region by 5.7% in the quarter and 4.4% for the nine-month period. The fiscal 2007 acquisitions of CIPI, Scafftag and Sorbent and the fiscal 2006 acquisitions of QDPT, Accidental Health, Tradex, Carroll and Daewon increased sales by 71.4% for the quarter and 84.7% for the nine-month period. The decline in organic sales for the quarter was due to a slowdown in our OEM electronics business, led by the loss of certain programs in the hard disk drive business related to industry consolidation and a slowdown in high performance labeling. In the third quarter of fiscal 2006, Asia-Pacific reported 48.9% organic growth, thus providing very strong comparisons for the current quarter of fiscal 2007.

Segment profit for the region decreased 4.3% to \$11.9 million from \$12.4 million for the quarter and increased 25.0% to \$46.4 million from \$37.1 million for the nine months ended April 30, 2007, compared to the same periods in the prior year. As a percentage of sales, segment profit decreased from 25.5% to 14.6% in the third quarter of fiscal 2007 and from 27.3% to 18.1% in the nine months ended April 30, 2007, compared to the same periods in the prior year. The declines were due to the slowdown in our OEM electronics business and excess capacity at our facilities. We continue to focus on consolidating our facilities in order to rebalance our capacity, reduce our cost structure, and to be closer to our customers' facilities.

Financial Condition

The Company's current ratio as of April 30, 2007, was 2.2 compared to 2.1 at July 31, 2006. Cash and cash equivalents were \$119.3 million at April 30, 2007, compared to \$113.0 million at July 31, 2006. Additionally, there were short-term investments of \$1.2 million outstanding at April 30, 2007, compared to \$11.5 million outstanding at July 31, 2006. Working capital increased \$59.8 million during the nine months ended April 30, 2007, to \$300.3 million from \$240.5 million at July 31, 2006. Accounts receivable increased \$52.1 million during the nine months ended April 30, 2007, due to increased organic sales volume, acquisitions and foreign currency translation. Inventories increased \$34.4 million in the current year, due to acquisitions and increased inventory levels to support the launch of new products and to maintain adequate service levels for our customers. The net increase in current liabilities was \$27.7 million for the nine-month period. The increase was composed of an increase in accounts payable from the fiscal 2007 acquisitions and an increase in other current liabilities as a result of our consolidation and rebalancing activities.

Cash flow from operating activities totaled \$79.7 million for the nine months ended April 30, 2007, compared to \$63.3 million for the same period last year. The increase was the result of a \$1.4 million increase in net income and a \$16.4 million increase in depreciation and amortization of the intangible assets acquired in fiscal 2006 and 2007, partially offset by cash requirements for changes in accounts receivable, inventories, prepaid expenses and other assets and income taxes.

The acquisitions of businesses used \$158.0 million of cash for the nine months ended April 30, 2007. Contingent consideration payments of \$10.9 million were paid during the nine months ended April 30, 2007, to satisfy the \$6.5 million holdback requirement of the ID Technologies acquisition completed in fiscal 2005, the \$1.0 million earnout liability of the Stopware acquisition completed in fiscal 2006, the \$1.8 million purchase price adjustment of the Daewon acquisition completed in fiscal 2006 and the \$1.6 million earnout liability of the QDPT acquisition completed in fiscal 2006. Capital expenditures were \$42.1 million for the nine months ended April 30, 2007, compared to \$26.3 million in the same period last year. Approximately \$9 million was spent on implementing SAP in 18 of Brady's global operations and ultimately bringing the number of users up from approximately 2,300 to 6,700 in the next three years. The remainder of the increase in capital expenditures was due to the expansions in China, Canada, India, Slovakia, and other locations. Net cash provided by financing activities was \$131.6 million for the nine months ended April 30, 2007, due to the proceeds from the private placement of \$150 million of senior notes completed in the third quarter, partially offset by the payment of dividends. Net cash provided by financing activities for the same period last year was \$163.6 million, due to the proceeds from the private placement of \$200 million of senior notes completed in the third quarter of fiscal 2006, partially offset by the repurchase of the Company's stock and the payment of dividends.

On March 23, 2007, the Company completed the private placement of \$150 million in ten-year fixed notes at 5.33% interest to institutional investors. The notes will be amortized in equal installments over seven years, beginning in 2011 with interest payable on the notes semiannually on September 23 and March 23, beginning in September 2007. The notes have been fully and unconditionally guaranteed on an unsecured basis by the Company's domestic subsidiaries. The Company used the net proceeds of the offering to reduce outstanding indebtedness under the Company's revolving loan agreement and fund its ongoing strategic growth plan. This private placement was exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for repaying them prior to the maturity date. The agreement also requires the Company to maintain a financial covenant. As of April 30, 2007, the Company was in compliance with this covenant.

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On October 5, 2006, the Company entered into a \$200 million multi-currency revolving loan agreement with a group of five banks. At the Company's option, and subject to certain standard conditions, the available amount under the credit facility may be increased from \$200 million up to \$300 million.

Under the 5-year agreement, which has a final maturity date of October 5, 2011, the Company has the option to select either a base interest rate (based upon the higher of the federal funds rate plus one-half of 1% or the prime rate of Bank of America) or a Eurocurrency interest rate (at the LIBOR rate plus a margin based on the Company's consolidated leverage ratio). A commitment fee is payable on the unused amount of the facility. The agreement requires the Company to maintain two financial covenants. As of April 30, 2007, the Company was in compliance with the covenants of the agreement.

The credit agreement restricts the amount of certain types of payments, including dividends, which can be made annually to \$50 million plus an amount equal to 75% of consolidated net income for the prior fiscal year. The Company believes that based on historic dividend practice, this restriction would not impede the Company in following a similar dividend practice in the future. During the nine months ended April 30, 2007, the Company borrowed and repaid \$109.3 million, respectively. As of April 30, 2007, there were no outstanding borrowings under the credit agreement.

On February 14, 2006, the Company completed the private placement of \$200 million in ten-year fixed notes at 5.3% interest to institutional investors. The notes will be amortized in equal installments over seven years, beginning in 2010 with interest payable on the notes semiannually on August 14 and February 14, beginning in August 2006. The notes have been fully and unconditionally guaranteed on an unsecured basis by the Company's domestic subsidiaries. The Company used the net proceeds of the offering to finance acquisitions completed in fiscal 2006 and 2007. This private placement was exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for repaying them prior to the maturity date. The agreement also requires the Company to maintain a financial covenant. As of April 30, 2007, the Company was in compliance with this covenant.

On June 30, 2004, the Company finalized a debt offering of \$150 million of 5.14% unsecured senior notes due in 2014 in an offering exempt from the registration requirements of the Securities Act of 1933. The notes will be amortized over seven years beginning in 2008, with interest payable on the notes semiannually on June 28 and December 28, beginning in December 2004. The Company used the proceeds of the offering to reduce outstanding indebtedness under the Company's revolving credit facilities used to initially fund the EMED acquisition. The debt has certain prepayment penalties for repaying the debt prior to its maturity date. The agreement also requires the Company to maintain a financial covenant. As of April 30, 2007, the Company was in compliance with this covenant.

On May 16, 2007, the Board of Directors declared a quarterly cash dividend to shareholders of the Company's Class A Common Stock of \$0.14 per share payable on July 31, 2007, to shareholders of record at the close of business on July 10, 2007.

The Company believes that its continued strong cash flows from operations and existing borrowing capacity will enable it to execute its long-term strategic plan. This strategic plan includes investments, which expand its current market share, open new markets and geographies, develop new products and distribution channels and continue to improve our processes. This strategic plan also includes executing key acquisitions.

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

Operating Leases — These leases generally are entered into for investments in facilities, such as manufacturing facilities, warehouses and office buildings, computer equipment and Company vehicles, for which the economic profile is favorable.

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

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

Related-Party Transactions — The Company does not have any related-party transactions that materially affect the results of operations, cash flow or financial condition.

Forward-Looking Statements

Brady believes that certain statements in this Form 10-Q are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements related to future, not past, events included in this Form 10-Q, including, without limitation, statements regarding Brady’s future financial position, business strategy, targets, projected sales, costs, earnings, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations are forward-looking statements. When used in this Form 10-Q, words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “project” or “plan” or similar terminology are generally intended to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions and other factors, some of which are beyond Brady’s control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For Brady, uncertainties arise from future financial performance of major markets Brady serves, which include, without limitation, telecommunications, consumer electronics, mobile handset, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, transportation; difficulties in making and integrating acquisitions; risks associated with newly acquired businesses; Brady’s ability to retain significant contracts and customers; future competition; Brady’s ability to develop and successfully market new products; changes in the supply of, or price for, parts and components; increased price pressure from suppliers and customers; interruptions to sources of supply; environmental, health and safety compliance costs and liabilities; Brady’s ability to realize cost savings from operating initiatives; Brady’s ability to attract and retain key talent; difficulties associated with exports; risks associated with international operations; fluctuations in currency rates versus the U.S. dollar; technology changes; potential write-offs of Brady’s substantial intangible assets; risks associated with obtaining governmental approvals and maintaining regulatory compliance for new and existing products; business interruptions due to implementing business systems; and numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature contained from time to time in Brady’s U.S. Securities and Exchange Commission filings, including, but not limited to, those factors listed in the “Risk Factors” section located in Item 1A of Part II of this Form 10-Q and Item 1A of Part I of Brady’s Form 10-K for the year ended July 31, 2006. These uncertainties may cause Brady’s actual future results to be materially different than those expressed in its forward-looking statements. Brady does not undertake to update its forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company’s business operations give rise to market risk exposure due to changes in foreign exchange rates. To manage that risk effectively, the Company enters into hedging transactions, according to established guidelines and policies that enable it to mitigate the adverse effects of this financial market risk.

The global nature of the Company’s business requires active participation in the foreign exchange markets. As a result of investments, production facilities and other operations on a global scale, the Company has assets, liabilities and cash flows in currencies other than the U.S. Dollar. The primary objective of the Company’s foreign currency exchange risk management is to minimize the impact of currency movements on intercompany transactions and foreign raw-material imports. To achieve this objective, the Company hedges a portion of known exposures using forward contracts. Main exposures are related to transactions denominated in the British Pound, the Euro, Canadian Dollar, Australian Dollar, Singapore Dollar, Swedish Krona, Korean Won and Chinese Yuan currency.

The Company could be exposed to interest rate risk through its corporate borrowing activities. The objective of the Company’s interest rate risk management activities is to manage the levels of the Company’s fixed and floating interest rate exposure to be consistent with the Company’s preferred mix. The interest rate risk management program allows the Company to enter into approved interest rate derivatives, with the approval of the Board of Directors, if there is a desire to modify the Company’s exposure to interest rates. As of April 30, 2007, the Company had no interest rate derivatives.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission is recorded, processed, summarized and reported on a timely basis. The Company’s Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the Company’s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of the end of the period covered by this report (the “Evaluation Date”). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company’s disclosure controls and procedures are effective in bringing to their attention on a timely basis material information relating to the Company required to be included in the Company’s periodic filings under the Exchange Act.

The Company is in the process of implementing its enterprise resource planning system, SAP, to many of its locations around the world. This implementation has resulted in certain changes to business processes and internal controls impacting financial reporting. Management is taking the necessary steps to monitor and maintain appropriate internal controls during this period of change.

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

PART II. OTHER INFORMATION

ITEM 1A. Risk Factors

Our business involves risk. The following information and the information contained in Item 1A, Risk Factors, of our Form 10-K for the fiscal year ended July 31, 2006, about these risks should be considered carefully together with the other information contained in this report. The following risk replaces the risk entitled “We have a concentration of business with several large key customers in the OEM market and loss of one or more of these customers could significantly affect our results of operations” in our Form 10-K for the fiscal year ended July 31, 2006.

We have a concentration of business with several large key customers in the OEM market and loss of one or more of these customers could significantly affect our results of operations.

Several of our large key customers in the OEM markets, specifically the precision die-cut business, together comprise a significant portion of our revenues. As a result of our acquisition of Tradex Converting AB in May 2006, our largest customer represents approximately 7% of our net sales. Our dependence on these large customers makes our relationships with these customers important to our business. We cannot assure you that we will be able to maintain these relationships and retain this business in the future. Because these large customers account for such a significant portion of our revenues, they possess relatively greater capacity to negotiate a reduction in the prices we charge for our products. If we are unable to provide products to our customers at prices acceptable to them, some of our customers may in the future elect to shift some or all of this business to competitors or to other sources. If one of our key customers consolidates, is acquired by another company or loses market share, the result of that event may have an adverse impact on our business. The loss of or reduction in business from one or more of these large key customers could have a material adverse impact on our financial condition and results of operations.

ITEM 6. Exhibits

(a) Exhibits

10.1	Brady Corporation 1989 Non-Qualified Stock Option Plan, as amended
10.2	Brady Corporation 1997 Omnibus Incentive Stock Plan, as amended
10.3	Brady Corporation 2001 Omnibus Incentive Stock Plan, as amended
10.4	Brady Corporation 2003 Omnibus Incentive Stock Plan, as amended
10.5	Brady Corporation 2004 Omnibus Incentive Stock Plan, as amended
31.1	Rule 13a-14(a)/15d-14(a) Certification of Frank M. Jaehnert
31.2	Rule 13a-14(a)/15d-14(a) Certification of David Mathieson
32.1	Section 1350 Certification of Frank M. Jaehnert
32.2	Section 1350 Certification of David Mathieson

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

SIGNATURES

BRADY CORPORATION

Date: June 7, 2007

/s/ F. M. Jaehnert

F. M. Jaehnert

President & Chief Executive Officer

Date: June 7, 2007

/s/ David Mathieson

David Mathieson

Senior Vice President & Chief Financial Officer

(Principal Accounting Officer)

(Principal Financial Officer)

W. H. BRADY CO.
1989
NONQUALIFIED STOCK OPTION PLAN

1. **Purpose.** The purpose of this Plan is to promote the growth and development of W. H. Brady Co. (the "Company") by (a) providing increased long-term incentives for key salaried employees of the Company and any present or future Subsidiary of the Company and (b) facilitating the efforts of the Company and its Subsidiaries to obtain and retain employees of outstanding ability. This Plan provides for the granting of nonqualified stock options which are intended not to qualify for the treatment provided under Section 422A of the Internal Revenue Code.

2. **Administration.**

(a) The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company. None of the members of Committee, while serving in such capacity, shall be eligible to receive options under this Plan. A majority of the members of the Committee shall constitute a quorum. The approval of such a quorum, expressed by vote at a meeting, or in writing without a meeting, shall constitute the action of the Committee and shall be valid and effective for all purposes of the Plan.

(b) The Committee is authorized, subject to the provisions of the Plan, to adopt, amend and rescind such rules and regulations as it may deem appropriate for the administration of the Plan, and to make determinations and interpretations which it deems consistent with the Plan's provisions. The Committee's determinations and interpretations shall be final and conclusive.

3. **Eligibility.** Key salaried employees, including officers, of the Company and of its Subsidiaries shall be eligible to receive options under the Plan, but no option shall be granted to any director of the Company who is not an officer or key employee of the Company or a Subsidiary.

4. **Shares Subject to Options.**

(a) The stock to be subject to options under the Plan shall be shares of the Company's Class A Common Stock, \$.01 par value, subject to adjustment under Paragraph 12 hereof, and may be authorized but unissued Class A Common Stock or Class A Common Stock issued and reacquired by the Company.

(b) The aggregate number of shares which may be issued pursuant to exercises of options granted under the Plan shall not exceed Five Hundred Thousand (500,000) shares of the Company's Class A Common Stock, subject to adjustment under paragraph 12 hereof.

(c) Shares subject to and not issued under an option which expires or terminates or is cancelled for any reason during the term of the Plan shall again be available for the granting of options under the Plan.

5. Exercise Price.

(a) The exercise price at which shares may be purchased under each option shall be not less than 100 percent of the Fair Market Value of the shares on the date on which the option is granted. For all purposes of this Plan, the term "Fair Market Value" shall be the average of the highest and lowest sale prices of the stock, on the date of grant, as reported by NASDAQ (the National Association of Securities Dealers, Inc. Automated Quotation System). However, if at any time the Class A Common Stock is listed on any exchange, the "Fair Market Value" shall be the average of the reported highest and lowest prices at which shares of Class A Common Stock are sold on such exchange on the date the option is granted. In the absence of reported sales on NASDAQ or on such exchange on said date, the "Fair Market Value" shall be the average of the reported closing bid and asked prices for the shares on NASDAQ or such exchange on the date the option is granted.

(b) The cash proceeds of the sale of stock subject to an option are to be added to the general funds of the Company available for its corporate purposes.

6. Granting of Options.

(a) The Committee may from time to time at its discretion, subject to the provisions of the Plan, determine when options shall be granted and at the time of each grant determine those eligible employees to whom options shall be granted, the number of shares subject to such options, the date or dates on which the options become exercisable, either wholly or in part, and the expiration date of the options.

(b) Each option shall be evidenced by a written agreement containing terms and conditions established by the Committee consistent with the provisions of the Plan.

7. **Term of Plan.** Options may be granted under the Plan at any time up to December 31, 1999, on which date the Plan shall expire except as to options then outstanding, which options shall remain in effect until they have been exercised or have expired or terminated.

8. Exercise of Options.

(a) Options granted under the Plan may not be exercised until six months have elapsed from the date of grant, or prior to the event described in the last sentence of paragraph 15 hereof, and then may be exercised only in accordance with the terms established by the Committee, including any additional requirement as to the initial exercise date or dates when options shall first become exercisable in whole or part. Unless otherwise determined by the Committee at the time of grant, each option granted hereunder shall expire on a date which is ten years after the date on which the option was granted.

(b) Although the Company intends to exert its best efforts so that the shares purchasable upon the exercise of an option, when it first becomes exercisable, will be registered under, or exempt from the registration requirements of, the Federal Securities Act of 1933 (the "Act") and any applicable state securities law, if the exercise of an option would otherwise result in the violation by the Company of any provision of the Act or of any state securities law, the Company may require that such exercise be deferred until the Company has taken appropriate action to avoid any such violation.

(c) The exercise price for shares purchased shall be paid in full at the time of exercise and no shares shall be issued until full payment therefore is made. Such payment may be made either (i) in cash or (ii) by delivering shares of the Company's common stock which have been beneficially owned by the optionee, the optionee's spouse, or both of them for a period of at least six months prior to the time of exercise (the "Delivered Stock") or (iii) by delivering a combination of cash and Delivered Stock. Delivered Stock shall be valued at its Fair Market Value determined as of the date of exercise of the option.

(d) An optionee shall not be deemed the holder of any shares subject to the option until the shares are fully paid and issued to him upon exercise of such option.

9. **Transferability of Options.** An option granted under the Plan may not be transferred except by will or the laws of descent and distribution and may be exercised during the lifetime of optionee (to the extent exercisable) only by him. The option and any rights and privileges pertaining thereto shall not be transferred, assigned, pledged or hypothecated by him in any way whether by operation of law or otherwise and shall not be subject to execution, attachment or similar process.

10. **Termination of Employment.**

(a) Upon termination of employment with the Company or a Subsidiary for any reason except death, after he shall have been continuously so employed for six months after the date of grant of his option, an employee to whom an option is granted may, at any time within three months after the date of such termination but in no event later than the date of expiration of the option, exercise the option to the extent he was entitled to do so on the date of such termination; provided, however, that if such employee is dismissed for cause, of which the Committee shall be the sole judge, his option shall forthwith expire. Any options or portions of options of terminated employees not so exercised shall terminate.

(b) The Committee may determine that, for the purpose of the Plan, an employee who is on a leave of absence will be considered as a full-time salaried employee of the Company or a Subsidiary.

(c) Transfer of an employee from the Company to a Subsidiary or from a Subsidiary to the Company or another Subsidiary shall not be a termination of employment or an interruption of continuous employment for the purposes of the Plan.

(d) Nothing in the Plan or in any option granted under the Plan shall confer on any employee any right to continue in the employ of the Company or its Subsidiaries, or affect the right of the Company or its Subsidiaries to terminate his employment at any time.

11. **Death.** If an employee to whom an option is granted dies while in the employ of the Company or a Subsidiary, or within 90 days after termination of such employment, the person or persons to whom the option is transferred by will or the laws of descent and distribution may, at any time within one year after the date of death but not later than the expiration date of the option, exercise the option to the extent the employee was entitled to do so on the date of death or termination of employment, whichever was earlier. Any options or portions of options of deceased employees not so exercised shall terminate.

12. **Changes in Common Stock.** In the event of any reorganization, recapitalization, stock split, stock dividend, merger, consolidation, combination or exchange of shares, rights offering or any other change affecting the Class A Common Stock of the Company, the Committee shall proportionately and appropriately adjust: (a) the aggregate number and kind of shares authorized for issuance under the Plan; and (b) in the case of stock options, the price and the number and kind of shares subject to the stock options, without any change in the aggregate purchase price to be paid for the stock options.

13. **Amendment or Discontinuance.** The Committee may, at any time, without the approval of the stockholders of the Company, alter, amend, modify, suspend or discontinue the Plan, by may not, without the consent of the holder of an option, make any alteration which would adversely affect an option previously granted under the Plan or, without the approval of the stockholders of the Company, make an alteration which would (a) increase the aggregate number of shares subject to options under the Plan, except for adjustments pursuant to paragraph 12; (b) decrease the minimum exercise price; (c) permit any member of the Committee to become eligible for options under the Plan; or (d) extend the term of the Plan or the maximum period during which any option may be exercised.

14. **Liability.** No member of the Board of Directors, the Committee or officers or employees of the Company or its Subsidiaries shall be personally liable for any action, omission of determination made in good faith in connection with the Plan.

15. **Effective Date.** This Plan, adopted by the Board of Directors on May 26, 1989, shall become effective upon such adoption, but shall be subject to approval by the voting stockholders of the Company. No option granted

hereunder shall be or become exercisable unless and until such stockholder approval has occurred.

16. **Dissolution or Merger.** Anything contained herein to the contrary notwithstanding, upon the dissolution or liquidation of the Company, or upon any merger in which the Company is not the surviving corporation, at any time prior to the expiration date of an option or the termination of an option hereunder, an optionee shall have the right within sixty (60) days prior to the effective date of such dissolution, liquidation or merger, to surrender then outstanding and unexercised options to the Company for cash, subject to the discretion of the Committee as to the exact timing of said surrender. Notwithstanding the foregoing, however, in the case of a retired or decreased optionee, the optionee's right to surrender his outstanding and unexercised options under this paragraph shall be available only to the extent that at the time of any such surrender, the optionee would have been entitled to exercise his option under paragraph 10 or 11, as the case may be. The amount of cash to be paid to the employee for all such surrendered options shall be equal to the number of shares of Class A Common Stock subject to such surrendered options, multiplied by the difference between the option price per share and the Fair Market Value per share of Class A Common Stock of the Company at the time of surrender.

17. **Miscellaneous.**

(a) The term "Board of Directors" herein shall mean the Board of Directors of the Company and, to the extent that any powers and discretion vested in the Board of Directors are delegated to any committee of the Board, the term "Board of Directors" shall also mean such committee.

(b) The term "Subsidiary" used herein shall mean any corporation more than 50 percent of whose total combined voting stock of all classes is held by the Company or by another corporation qualifying as a Subsidiary within this definition.

18. **Withholding Taxes.** Pursuant to applicable Federal and state laws, the Company may be required to collect withholding taxes upon the exercise of an option. The Company may require, as a condition to the exercise of an option, that the optionee concurrently pay to the Company the entire amount or a portion of any taxes which the Company is required to withhold by reason of such exercise, in such amount as the Committee or the Company in its discretion may determine. In lieu of part or all of any such payment, the optionee may elect, subject to such rules and regulations as the Committee may adopt from time to time, to have the Company withhold from the shares to be issued upon exercise of the option that number of shares having a Fair Market Value equal to the amount which the Company is required to withhold.

W. H. BRADY CO.
1997 OMNIBUS INCENTIVE STOCK PLAN

I. INTRODUCTION

1.01 Purpose. This plan shall be known as the W. H. Brady Co. 1997 Omnibus Incentive Stock Plan. The purpose of the Plan is to provide an incentive for employees of W. H. Brady Co. and its Affiliates to improve corporate performance on a long-term basis, and to attract and retain employees by enabling employees to participate in the future successes of the Company, and by associating the long term interests of employees with those of the Company and its shareholders. It is intended that the Plan and its operation comply with the provisions of Rule 16b-3 under the Securities Exchange Act of 1934 (or any successor rule). The Plan is intended to permit the grant of Nonqualified Stock Options and shares of Restricted Stock. The proceeds received by the Company from the sale of Company Stock pursuant to the Plan shall be used for general corporate purposes.

1.02 Effective Date. The effective date of the Plan shall be May 12, 1997, subject to approval of the Plan by holders of a majority of the outstanding voting common stock of the Company provided that such approval is given within 12 months of the effective date. Any Award granted prior to such shareholder approval shall be expressly conditioned upon shareholder approval of the Plan.

II. PLAN DEFINITIONS

For Plan purposes, except where the context clearly indicates otherwise, the following terms shall have the meanings set forth below:

- (a) “Affiliates” means any “subsidiary corporation” or “parent corporation” as such terms are defined in Section 424 of the Code.
 - (b) “Agreement” means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of an Award.
 - (c) “Award” shall mean the grant of any form of Stock Option or Restricted Stock.
 - (d) “Board” shall mean the Board of Directors of the Company.
 - (e) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.
 - (f) “Committee” shall mean the Committee described in Section 4.01.
 - (g) “Company” shall mean W. H. Brady Co., a Wisconsin corporation.
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- (h) “Company Stock” shall mean the Company’s Class A Non-Voting Common Stock, \$.01 par value, and such other stock and securities as may be substituted therefor pursuant to Section 3.02.
- (i) “Eligible Employee” shall mean any regular salaried employee of the Company or an Affiliate, including an employee who is a member of the Board, who satisfies the requirements of Section 5.01.
- (j) “Exercise Period” shall mean the period of time provided pursuant to Section 6.05 within which a Stock Option may be exercised.
- (k) “Fair Market Value” on any date shall mean, with respect to Company Stock, if the stock is then listed and traded on a registered national securities exchange, or is quoted in the NASDAQ National Market System, the average of the high and low sale prices recorded in composite transactions as reported in the Wall Street Journal (Midwest Edition) for such date or, if such date is not a business day or if no sales of Company Stock shall have been reported with respect to such date, the next preceding business date with respect to which sales were reported. In the absence of reported sales or if the stock is not so listed or quoted, but is traded in the over-the-counter market, Fair Market Value shall be the average of the closing bid and asked prices for such shares on the relevant date.
- (l) “Participant” means an Eligible Employee who has been granted an Award under this Plan.
- (m) “Person” means any individual or entity, and the heirs, personal representatives, executors, administrators, legal representatives, successors and assigns of such Person as the context may require.
- (n) “Plan” shall mean the W. H. Brady Co. 1997 Omnibus Incentive Stock Plan, as set forth herein, as it may be amended from time to time.
- (o) “Restricted Stock” means shares of Company Stock granted to a Participant under Article VII.
- (p) “Stock Option” means an option to purchase a stated number of shares of Company Stock at the price set forth in an Agreement.

III. SHARES SUBJECT TO AWARD

3.01 Available Shares. The total number of shares of Company Stock authorized for issuance shall not exceed two million (2,000,000) shares, subject to adjustments under Section 3.02. The shares authorized for issuance under the Plan may consist, in whole or in part, of authorized but unissued Company Stock, or of treasury stock of the Company. Shares subject to and not issued under a Stock Option that expires, terminates, is canceled or forfeited for any

reason under the Plan and shares of restricted Company Stock which have been forfeited for any reason shall again become available for the granting of Awards.

3.02 Changes in Corporation Stock. In the event of any change in the Corporation Stock resulting from a reorganization, recapitalization, stock split, stock dividend, merger, consolidation, rights offering or like transaction, the Committee shall proportionately and appropriately adjust: (a) the aggregate number and kind of shares authorized for issuance under the Plan; and (b) in the case of previously-granted Stock Options, the option price and the number and kind of shares subject to the Stock Options, without any change in the aggregate purchase price to be paid for the Stock Options.

IV. ADMINISTRATION

4.01 Administration by the Committee. The Plan shall be administered by the Committee. The Committee shall be a committee designated by the Board to administer the Plan and shall initially be the Compensation Committee of the Board. The Committee shall be constituted to permit the Plan to comply with the provisions of Rule 16b-3 under the Securities Exchange Act of 1934 (or any successor rule). A majority of the members of the Committee shall constitute a quorum. The approval of such a quorum, expressed by a majority vote at a meeting held either in person or by conference telephone call, or the unanimous consent of all members in writing without a meeting, shall constitute the action of the Committee and shall be valid and effective for all purposes of the Plan.

4.02 Committee Powers. Subject to Section 9.06, the Committee is empowered to adopt, amend and rescind such rules, regulations and procedures and take such other action as it shall deem necessary or proper for the administration of the Plan and, in its discretion, may modify, extend or renew any Award theretofore granted. The Committee shall also have authority to interpret the Plan, and the decision of the Committee on any questions concerning the interpretation of the Plan shall be final and conclusive. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. The Committee shall not incur any liability for any action taken in good faith with respect to the Plan or any Award.

Subject to the provisions of the Plan, the Committee shall have full and final authority to:

- (a) designate the Eligible Employees to whom Awards shall be granted;
- (b) grant Awards in such form and amount as the Committee shall determine;
- (c) impose such limitations, restrictions and conditions upon any such Award as the Committee shall deem appropriate, including conditions (in addition to those contained in this Plan) on the exercisability of all or any portion of a Stock Option or on the transferability or forfeitability of Restricted Stock;
- (d) prescribe the form of Agreement with respect to each Award;

- (e) waive in whole or in part any limitations, restrictions or conditions imposed upon any such Award as the Committee shall deem appropriate (including accelerating the time at which any Stock Option may be exercised or the time at which Restricted Stock may become transferable or nonforfeitable);
- (f) determine the extent to which leaves of absence for governmental or military service, illness, temporary disability and the like shall not be deemed interruptions of continuous employment.

V. PARTICIPATION

5.01 Eligibility. Any employee of the Company and its Affiliates (including officers and employees who may be members of the Board) who, in the sole opinion of the Committee, has contributed or can be expected to contribute to the profits, growth and success of the Company shall be eligible for Awards under the Plan. A member of the Committee or any person who is expected to become a member within one year of any Award shall not be an Eligible Employee if his or her status as an Eligible Employee would prevent the Committee from being “disinterested” under Rule 16b-3 under the Securities Exchange Act of 1934. From among all such Eligible Employees, the Committee shall determine from time to time those Eligible Employees to whom Awards shall be granted. No Eligible Employee shall have any right whatsoever to receive an Award unless so determined by the Committee.

5.02 No Employment Rights. The Plan shall not be construed as conferring any rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Company or any Affiliates to terminate the employment of any person or to take any other action affecting such person.

VI. STOCK OPTIONS

6.01 Stock Options; General. Stock Options granted under the Plan shall be in the form of Nonqualified Stock Options. Each Stock Option granted under the Plan shall be evidenced by an Agreement which shall contain the terms and conditions required by this Article VI, and such other terms and conditions, not inconsistent herewith, as the Committee may deem appropriate in each case.

6.02 Stock Option Holder’s Rights as a Shareholder. The holder of a Stock Option shall not have any rights as a shareholder with respect to the shares covered by a Stock Option until such shares have been delivered to him or her.

6.03 Option Price. The price at which each share of Company Stock covered by a Stock Option may be purchased shall be not less than 100% of the Fair Market Value of such stock on the date on which the option is granted. The option price shall be subject to adjustment as provided in Section 3.02 hereof.

6.04 Date Stock Option Granted. For purposes of the Plan, a Stock Option shall be considered as having been granted on the date on which the Committee authorized the grant of

the Stock Option except where the Committee has designated a later date, in which event the later date shall constitute the date of grant of the Stock Option; provided, however, that notice of the grant of the Stock Option shall be given to the Participant within a reasonable time.

6.05 Exercise Period. The Committee shall have the power to set the time or times within which each Option shall be exercisable, and to accelerate the time or times of exercise; provided, however, that

- (a) no Stock Option granted under this Plan to any Person subject to the reporting requirements of Section 16(b) of the Securities and Exchange Act of 1934 may be exercised until at least six months from the later of (i) the date of grant or (ii) shareholder approval of the Plan, and
- (b) no Stock Option shall be exercisable after the expiration of ten (10) years from the date the Stock Option is granted. Each Agreement with respect to a Stock Option shall state the period or periods of time within which the Stock Option may be exercised by the Participant, in whole or in part.

Subject to the foregoing, unless the Agreement with respect to a Stock Option expressly provides otherwise, a Stock Option shall be exercisable in accordance with the following schedule:

<u>Years After Date of Grant</u>	<u>Percentage of Shares</u>
Less than 1	0%
1 but less than 2	33-1/3%
2 but less than 3	66-2/3%
3 or more	100%

6.06 Method of Exercise. Subject to Section 6.05, each Stock Option may be exercised in whole or in part from time to time as specified in the Agreements provided, however, that each Participant may exercise a Stock Option in whole or in part by giving written notice of the exercise to the Company, specifying the number of shares to be purchased by payment in full of the purchase price therefor. The purchase price may be paid (a) in cash, (b) by check, (c) with the approval of the Committee, or if the applicable Agreement so provides, by delivering shares of Company Stock ("Delivered Stock), or (d) with a combination of cash, check and Delivered Stock. For purposes of the foregoing, Delivered Stock shall be valued at its Fair Market Value determined as of the business day immediately preceding the date of exercise of the Stock Option. No Participant shall be under any obligation to exercise any Stock Option hereunder.

6.07 Dissolution or Liquidation. Anything contained herein to the contrary notwithstanding, on the effective date of any dissolution or liquidation of the Company, any

unexercised Stock Options shall be deemed cancelled, and the holder of any such unexercised Stock Options shall be entitled to receive payment under Section 9.04.

VII. RESTRICTED STOCK

7.01 Administration. Shares of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the Eligible Employees to whom and the time or times at which grants of Restricted Stock will be made, the number of shares to be granted, the time or times within which such Awards may be subject to forfeiture or otherwise restricted and any other terms and conditions of the Awards. By way of example and not of limitation, the restrictions may provide that the shares will be forfeited if the Participant's employment with the Company or its Affiliates terminates before the expiration of a stated term or if the Company fails to attain specified performance goals or such other factors or criteria as the Committee shall determine. Subject to Sections 7.02 and 7.03 hereof the provisions of Restricted Stock Awards need not be the same with respect to each recipient.

7.02 Certificates. Each individual receiving a Restricted Stock Award shall be issued a certificate in respect of such shares of Restricted Stock which certificate shall be held in custody by the Company until the restrictions thereon shall have lapsed. In addition, each individual receiving a Restricted Stock Award shall, as a condition of any such Restricted Stock Award, have delivered to the Company a stock power, endorsed in blank, with respect to the Company Stock covered by such Award. Each certificate in respect of shares of Restricted Stock shall be registered in the name of the Participant to whom such Restricted Stock has been granted and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the W. H. Brady Co. 1997 Omnibus Incentive Stock Plan and a Restricted Stock Agreement. Copies of such Plan and Agreement are on file at the offices of W. H. Brady Co."

In addition each certificate in respect of shares of Restricted Stock may bear such legends and statements as the Committee may deem advisable to assure compliance with the federal and state laws and regulations.

7.03 Terms and Conditions. Shares of Restricted Stock shall be subject to the following terms and conditions:

- (a) Until the applicable restrictions lapse, the Participant shall not be permitted to sell, assign, transfer, exchange, pledge, hypothecate or otherwise dispose of or encumber shares of Restricted Stock.
- (b) Unless and until a forfeiture of the Restricted Stock, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the shares (if applicable) and the right to receive any cash dividends. Unless otherwise

determined by the Committee, cash dividends shall be automatically paid in cash and dividends payable in Company Stock shall be paid in the form of additional Restricted Stock.

- (c) Except to the extent otherwise provided in the applicable Restricted Stock Agreement and (d) below, all shares still subject to restriction shall be forfeited by the Participant upon termination of a Participant's employment for any reason.
- (d) In the event of hardship or other special circumstances of a Participant whose employment is involuntarily terminated (other than for cause), the Committee may waive in whole or in part any or all remaining restrictions with respect to such Participant's shares of Restricted Stock.
- (e) If and when the applicable restrictions lapse, unlegended certificates for such shares shall be delivered to the Participant.
- (f) Each Award shall be confirmed by, and be subject to the terms of, a Restricted Stock Agreement.

VIII. WITHHOLDING TAXES

8.01 General Rule. Pursuant to applicable federal and state laws, the Company is or may be required to collect withholding taxes upon the exercise of a Stock Option or the lapse of stock restrictions. The Company may require, as a condition to the exercise of a Stock Option or the issuance of a stock certificate, that the Participant concurrently pay to the Company (either in cash or, at the request of Participant, but subject to such rules and regulations as the Committee may adopt from time to time, in shares of Delivered Stock) the entire amount or a portion of any taxes which the Company is required to withhold by reason of such exercise or lapse of restrictions, in such amount as the Committee or the Company in its discretion may determine. If and to the extent that withholding of any federal, state or local tax is required in connection with the exercise of an Option or the lapse of stock restrictions, the Participant may, subject to such rules and regulations as the Company may adopt from time to time, elect to have the Company hold back from the shares to be issued upon the exercise of the Stock Option or the lapse of stock restrictions, the number of shares of Company Stock having a Fair Market Value equal to such withholding obligation.

8.02 Special Rule for Insiders. Any such request or election (to satisfy a withholding obligation using shares) by an individual who is subject to the provisions of Section 16 of the Securities Exchange Act of 1934 shall be made in accordance with the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

IX. GENERAL

9.01 Nontransferability. No Award granted under the Plan shall be transferable or assignable (or made subject to any pledge, lien, obligation or liability of a Participant) except by last will and testament or the laws of descent and distribution. Upon a transfer or assignment

pursuant to a Participant's last will and testament or the laws of descent and distribution, any Stock Option must be transferred in accordance therewith. During the Participant's lifetime, Stock Options shall be exercisable only by the Participant or by the Participant's guardian or legal representative.

9.02 General Restriction. Each Award shall be subject to the requirement that if at any time the Board or the Committee shall determine, in its discretion, that the listing, registration, or qualification of securities upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Stock Option or the issue or purchase of securities thereunder, such Stock Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board or the Committee. The Committee shall have the right to rely on an opinion of its counsel as to whether any such listing, registration, qualification, consent or approval shall have been effected or obtained.

9.03 Effect of Termination of Employment, Disability or Death. Except as otherwise provided by the Committee upon any Award, all rights under any Stock Option granted to a Participant shall terminate and any Restricted Stock granted to a Participant shall be forfeited on the date such Participant ceases to be employed by the Company or its subsidiaries, except that (a) if the Participant's employment is terminated by the death of the Participant, any unexercised, unexpired Stock Options granted hereunder to the Participant shall be 100% vested and fully exercisable, in whole or in part, at any time within one year after the date of death, by the Participant's personal representative or by the person to whom the Stock Options are transferred under the Participant's last will and testament or the applicable laws of descent and distribution; (b) if the Participant's employment is terminated as a result of the disability of the Participant (a disability means that the Participant is disabled as a result of sickness or injury, such that he or she is unable to satisfactorily perform the material duties of his or her job, as determined by the Board of Directors, on the basis of medical evidence satisfactory to it), any unexercised, unexpired Stock Options granted hereunder to the Participant shall become 100% vested and fully exercisable, in whole or in part, at any time within one year after the date of disability; and (c) if the Participant's employment is terminated for any reason other than the death or disability of the Participant, any unexercised, unexpired Stock Options granted hereunder and exercisable as of the date of such termination of employment shall be exercisable in whole or in part at any time within 90 days after such date of termination. If a Participant's employment is terminated because of the Participant's voluntary separation from the Company, or for cause (as determined by the Committee in its sole discretion), all of the Participant's unexercised Stock Options shall expire and all of the Participant's Restricted Stock shall be forfeited. Notwithstanding the foregoing, no Stock Option shall be exercisable after the date of expiration of its term.

9.04 Merger, Consolidation or Reorganization. In the event of (a) the merger or consolidation of the Company with or into another corporation or corporations in which the Company is not the surviving corporation, (b) the adoption of any plan for the dissolution of the Company, or (c) the sale or exchange of all or substantially all the assets of the Company for cash or for shares of stock or other securities of another corporation, all then-unexercised Stock Options shall become fully exercisable, and all restrictions imposed on any then-Restricted Stock

shall terminate (such that any Restricted Stock shall become fully transferable) immediately prior to any such merger or consolidation in which the Company is not the surviving corporation. Notwithstanding the foregoing, in the case of then-unexercised Stock Options held by persons subject to the reporting requirements of Section 16(a) of the 1934 Act, the Committee may elect to cancel any then-unexercised Stock Option. If any Stock Option is canceled, the Company, or the corporation assuming the obligations of the Company hereunder, shall pay the Participant an amount of cash or stock, as determined by the Committee, equal to the Fair Market Value per share of the Company Stock immediately preceding such cancellation over the option price, multiplied by the number of shares subject to such cancelled Stock Option.

9.05 Expiration and Termination of the Plan. This Plan shall remain in effect until all of the Awards made under the Plan have been exercised, the restrictions thereon have lapsed or the Awards have expired, terminated, or been canceled or forfeited. Notwithstanding the foregoing, no Awards shall be granted under the Plan, after that date which is ten years after the Plan is approved by the Board; or such earlier date as the Board determines in its sole discretion.

9.06 Limitation on Awards. No individual Eligible Employee may be granted an Award or Awards covering more than 300,000 shares of Company Stock in any calendar year.

9.07 Amendments. The Board may from time to time amend, modify, suspend or terminate the Plan; provided, however, that no such action shall (a) impair without the Participant's consent any Award theretofore granted under the Plan or deprive any Participant of any shares of Company Stock which he may have acquired through or as a result of the Plan or (b) be made without shareholder approval where such approval would be required as a condition of compliance with Rule 16b-3.

9.08 Wisconsin Law. Except as otherwise required by applicable federal laws, the Plan shall be governed by, and construed in accordance with, the laws of the State of Wisconsin.

9.09 Unfunded Plan. The Plan, insofar as it provides for Awards, shall be unfunded and the Company shall not be required to segregate any assets that may at any time be represented by Awards under this Plan. Any liability of the Company to any Person with respect to any Award under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

9.10 Rules of Construction. Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

9.11 Gender and Number. Except when otherwise required by the context, words in the masculine gender shall include the feminine, the singular shall include the plural, and the plural the singular.

BRADY CORPORATION
2001 OMNIBUS INCENTIVE STOCK PLAN

I. INTRODUCTION

1.01 Purpose. This plan shall be known as the Brady Corporation 2001 Omnibus Incentive Stock Plan. The purpose of the Plan is to provide an incentive for employees of Brady Corporation and its Affiliates to improve corporate performance on a long-term basis, and to attract and retain employees by enabling employees to participate in the future successes of the Corporation, and by associating the long term interests of employees with those of the Corporation and its shareholders. It is intended that the Plan and its operation comply with the provisions of Rule 16b-3 under the Securities Exchange Act of 1934 (or any successor rule). The Plan is intended to permit the grant of Nonqualified Stock Options, Incentive Stock Options, shares of Restricted Stock and Restricted Stock Units. The proceeds received by the Corporation from the sale of Corporation Stock pursuant to the Plan shall be used for general corporate purposes.

1.02 Effective Date. The effective date of the Plan shall be October 16, 2001, subject to approval of the Plan by holders of a majority of the outstanding voting common stock of the Corporation provided that such approval is given within 12 months of the effective date. Any Award granted prior to such shareholder approval shall be expressly conditioned upon shareholder approval of the Plan.

II. PLAN DEFINITIONS

For Plan purposes, except where the context clearly indicates otherwise, the following terms shall have the meanings set forth below:

- (a) “Affiliates” means any “subsidiary corporation” or “parent corporation” as such terms are defined in Section 424 of the Code.
- (b) “Agreement” means a written agreement (including any amendment or supplement thereto) between the Corporation and a Participant specifying the terms and conditions of an Award.
- (c) “Award” shall mean the grant of any form of Stock Option, Restricted Stock or Restricted Stock Units.
- (d) “Board” shall mean the Board of Directors of the Corporation.
- (e) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (f) “Committee” shall mean the Committee described in Section 4.01.

- (g) “Corporation” shall mean Brady Corporation, a Wisconsin corporation.
- (h) “Corporation Stock” shall mean the Corporation’s Class A Non-Voting Common Stock, \$.01 par value, and such other stock and securities as may be substituted therefor pursuant to Section 3.02.
- (i) “Eligible Employee” shall mean any regular salaried employee of the Corporation or an Affiliate, including an employee who is a member of the Board, who satisfies the requirements of Section 5.01.
- (j) “Exercise Period” shall mean the period of time provided pursuant to Section 6.05 within which a Stock Option may be exercised.
- (k) “Fair Market Value” on any date shall mean, with respect to Corporation Stock, if the stock is then listed and traded on a registered national securities exchange, or is quoted in the NASDAQ National Market System, the average of the high and low sale prices recorded in composite transactions for such date or, if such date is not a business day or if no sales of Corporation Stock shall have been reported with respect to such date, the next preceding business date with respect to which sales were reported. In the absence of reported sales or if the stock is not so listed or quoted, but is traded in the over-the-counter market, Fair Market Value shall be the average of the closing bid and asked prices for such shares on the relevant date.
- (l) “Participant” means an Eligible Employee who has been granted an Award under this Plan.
- (m) “Performance Goals” means the performance goals established by the Committee prior to the grant of any Award of Restricted Stock or Restricted Stock Units intended to qualify as “performance-based compensation” under Section 162(m) of the Code and which are based on the attainment of goals relating to one or more of the following business criteria measured on an absolute basis or in terms of growth or reduction: net income (pre-tax or after-tax and with adjustments as stipulated), earnings per share, return on equity, return on assets, return on tangible book value, operating income, earnings before depreciation, interest, taxes and amortization (EBDITA), loss ratio, expense ratio, increase in stock price, total shareholder return, economic value added and operating cash flow. The Committee may establish other subjective or objective performance goals, including individual goals, which it deems appropriate.
- (n) “Person” means any individual or entity, and the heirs, personal representatives, executors, administrators, legal representatives, successors and assigns of such Person as the context may require.

- (o) “Plan” shall mean the Brady Corporation 2001 Omnibus Incentive Stock Plan, as set forth herein, as it may be amended from time to time.
- (p) “Restricted Stock” means shares of Corporation Stock granted to a Participant under Article VII.
- (q) “Restricted Stock Unit” means an Award granted to a Participant under Article VIII.
- (r) “Stock Option” means an option to purchase a stated number of shares of Corporation Stock at the price set forth in an Agreement. A Stock Option may be either a Nonqualified Stock Option or an Incentive Stock Option.

III. SHARES SUBJECT TO AWARD

3.01 Available Shares. Subject to adjustments under Section 3.02, the total number of shares of Corporation Stock authorized for issuance shall not exceed five hundred thousand (500,000) shares, provided that no individual Eligible Employee may be granted an Award or Awards covering more than one hundred thousand (100,000) shares of Corporation Stock in any calendar year. The shares authorized for issuance under the Plan may consist, in whole or in part, of authorized but unissued Corporation Stock, or of treasury stock of the Corporation. Shares subject to and not issued under an Award that expires, terminates, is canceled or forfeited for any reason under the Plan shall again become available for the granting of Awards.

3.02 Changes in Corporation Stock. In the event of any change in the Corporation Stock resulting from a reorganization, recapitalization, stock split, stock dividend, merger, consolidation, rights offering or like transaction, the Committee shall proportionately and appropriately adjust: (a) the aggregate number and kind of shares authorized for issuance under the Plan; and (b) in the case of previously-granted Stock Options, the option price and the number and kind of shares subject to the Stock Options, without any change in the aggregate purchase price to be paid for the Stock Options.

IV. ADMINISTRATION

4.01 Administration by the Committee. The Plan shall be administered by the Committee. The Committee shall be a committee designated by the Board to administer the Plan and shall initially be the Compensation Committee of the Board. The Committee shall be constituted to permit the Plan to comply with the provisions of Rule 16b-3 under the Securities Exchange Act of 1934 (or any successor rule) and Section 162(m) of the Code. A majority of the members of the Committee shall constitute a quorum. The approval of such a quorum, expressed by a majority vote at a meeting held either in person or by conference telephone call, or the unanimous consent of all members in writing without a meeting, shall constitute the action of the Committee and shall be valid and effective for all purposes of the Plan.

4.02 Committee Powers. Subject to Section 10.06, the Committee is empowered to adopt, amend and rescind such rules, regulations and procedures and take such other action as it shall deem necessary or proper for the administration of the Plan and, in its discretion, may

modify, extend or renew any Award theretofore granted. The Committee shall also have authority to interpret the Plan, and the decision of the Committee on any questions concerning the interpretation of the Plan shall be final and conclusive. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. The Committee shall not incur any liability for any action taken in good faith with respect to the Plan or any Award.

Subject to the provisions of the Plan, the Committee shall have full and final authority to:

- (a) designate the Eligible Employees to whom Awards shall be granted;
- (b) grant Awards in such form and amount as the Committee shall determine;
- (c) impose such limitations, restrictions and conditions upon any such Award as the Committee shall deem appropriate, including conditions (in addition to those contained in this Plan) on the exercisability of all or any portion of a Stock Option or on the transferability or forfeitability of Restricted Stock;
- (d) prescribe the form of Agreement with respect to each Award;
- (e) waive in whole or in part any limitations, restrictions or conditions imposed upon any such Award as the Committee shall deem appropriate (including accelerating the time at which any Stock Option may be exercised or the time at which Restricted Stock may become transferable or nonforfeitable); and
- (f) determine the extent to which leaves of absence for governmental or military service, illness, temporary disability and the like shall not be deemed interruptions of continuous employment.

V. PARTICIPATION

5.01 Eligibility. Any employee of the Corporation and its Affiliates (including officers and employees who may be members of the Board) who, in the sole opinion of the Committee, has contributed or can be expected to contribute to the profits, growth and success of the Corporation shall be eligible for Awards under the Plan. A member of the Committee or any person who is expected to become a member within one year of any Award shall not be an Eligible Employee if his or her status as an Eligible Employee would prevent the Committee from being “disinterested” under Rule 16b-3 under the Securities Exchange Act of 1934. From among all such Eligible Employees, the Committee shall determine from time to time those Eligible Employees to whom Awards shall be granted. No Eligible Employee shall have any right whatsoever to receive an Award unless so determined by the Committee.

5.02 No Employment Rights. The Plan shall not be construed as conferring any rights upon any person for a continuation of employment, nor shall it interfere with the rights of the

Corporation or any Affiliates to terminate the employment of any person or to take any other action affecting such person.

VI. STOCK OPTIONS

6.01 Stock Options; General. Stock Options granted under the Plan shall be in the form of Nonqualified Stock Options (“NSOs”), Incentive Stock Options (“ISOs”) or a combination thereof. Each Stock Option granted under the Plan shall be evidenced by an Agreement which shall contain the terms and conditions required by this Article VI, and such other terms and conditions, not inconsistent herewith, as the Committee may deem appropriate in each case. A Stock Option granted under the Plan shall not be treated as an Incentive Stock Option unless the Stock Option Agreement specifically designates the option as an Incentive Stock Option.

6.02 Stock Option Holder’s Rights as a Shareholder. The holder of a Stock Option shall not have any rights as a shareholder with respect to the shares covered by a Stock Option until such shares have been delivered to him or her.

6.03 Option Price. The price at which each share of Corporation Stock covered by a Stock Option may be purchased shall be not less than 100% of the Fair Market Value of such stock on the date on which the option is granted. The option price shall be subject to adjustment as provided in Section 3.02 hereof.

6.04 Date Stock Option Granted. For purposes of the Plan, a Stock Option shall be considered as having been granted on the date on which the Committee authorized the grant of the Stock Option except where the Committee has designated a later date, in which event the later date shall constitute the date of grant of the Stock Option; provided, however, that notice of the grant of the Stock Option shall be given to the Participant within a reasonable time.

6.05 Exercise Period. The Committee shall have the power to set the time or times within which each Option shall be exercisable, and to accelerate the time or times of exercise; provided, however, that

- (a) no Stock Option granted under this Plan to any Person subject to the reporting requirements of Section 16(b) of the Securities and Exchange Act of 1934 may be exercised until at least six months from the later of (i) the date of grant or (ii) shareholder approval of the Plan, and
- (b) no Stock Option shall be exercisable after the expiration of ten (10) years from the date the Stock Option is granted. Each Agreement with respect to a Stock Option shall state the period or periods of time within which the Stock Option may be exercised by the Participant, in whole or in part.

Subject to the foregoing, unless the Agreement with respect to a Stock Option expressly provides otherwise, a Stock Option shall be exercisable in accordance with the following schedule:

<u>Years After Date of Grant</u>	<u>Percentage of Shares</u>
Less than 1	0%
1 but less than 2	33-1/3%
2 but less than 3	66-2/3%
3 or more	100%

6.06 Method of Exercise. Subject to Section 6.05, each Stock Option may be exercised in whole or in part from time to time as specified in the Agreements provided, however, that each Participant may exercise a Stock Option in whole or in part by giving written notice of the exercise to the Corporation, specifying the number of shares to be purchased by payment in full of the purchase price therefor. The purchase price may be paid (a) in cash, (b) by check, (c) with the approval of the Committee, or if the applicable Agreement so provides, by delivering shares of Corporation Stock ("Delivered Stock), or (d) with a combination of cash, check and Delivered Stock. For purposes of the foregoing, Delivered Stock shall be valued at its Fair Market Value determined as of the business day immediately preceding the date of exercise of the Stock Option. No Participant shall be under any obligation to exercise any Stock Option hereunder.

6.07 Dissolution or Liquidation. Anything contained herein to the contrary notwithstanding, on the effective date of any dissolution or liquidation of the Corporation, any unexercised Stock Options shall be deemed cancelled, and the holder of any such unexercised Stock Options shall be entitled to receive payment under Section 10.04.

6.08 Special Rules for Incentive Stock Options. For so long as Section 422 (or any successor provision) of the Code so provides:

- (a) The aggregate Fair Market Value of Corporation Stock (determined as of the date the stock option is granted) with respect to which ISOs are exercisable for the first time during a calendar year may not exceed \$100,000. To the extent that the value of the stock subject to options exceeds that amount, the excess shall be considered to be NSOs, with the determination to be made in the order the options are granted.
- (b) Employees who own, directly or indirectly, within the meaning of Code Section 425(d), more than 10% of the voting power of all classes of stock of the Corporation or any parent or subsidiary corporation shall not be eligible to receive an ISO hereunder unless the purchase price per share under such option is at least 110% of the Fair Market Value of the stock

subject to the option and such option by its terms is not exercisable after the expiration of five (5) years from the date such option is granted

- (c) To obtain favorable ISO tax treatment, the option must be exercised while the Participant is an employee, or within three months after the Participant's termination as an employee; provided that, in the case of termination on account of disability (as defined in Section 22(e)(3) of the Code), the exercise period may be extended to one year; and further provided that the employment requirement is waived in the case of the participant's death.

VII. RESTRICTED STOCK

7.01 Administration. Shares of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the Eligible Employees to whom and the time or times at which grants of Restricted Stock will be made, the number of shares to be granted, the time or times within which such Awards may be subject to forfeiture or otherwise restricted and any other terms and conditions of the Awards. The restrictions may be based upon specified Performance Goals, the Participant's continued employment with the Corporation or its Affiliates or such other factors or criteria as the Committee shall determine. Subject to Sections 7.02 and 7.03 hereof the provisions of Restricted Stock Awards need not be the same with respect to each recipient.

7.02 Certificates. Each individual receiving a Restricted Stock Award shall be issued a certificate in respect of such shares of Restricted Stock which certificate shall be held in custody by the Corporation until the restrictions thereon shall have lapsed. In addition, each individual receiving a Restricted Stock Award shall, as a condition of any such Restricted Stock Award, have delivered to the Corporation a stock power, endorsed in blank, with respect to the Corporation Stock covered by such Award. Each certificate in respect of shares of Restricted Stock shall be registered in the name of the Participant to whom such Restricted Stock has been granted and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Brady Corporation 2001 Omnibus Incentive Stock Plan and a Restricted Stock Agreement. Copies of such Plan and Agreement are on file at the offices of the Brady Corporation."

In addition each certificate in respect of shares of Restricted Stock may bear such legends and statements as the Committee may deem advisable to assure compliance with the federal and state laws and regulations.

7.03 Terms and Conditions. Shares of Restricted Stock shall be subject to the following terms and conditions:

- (a) Until the applicable restrictions lapse, the Participant shall not be permitted to sell, assign, transfer, exchange, pledge, hypothecate or otherwise dispose of or encumber shares of Restricted Stock.
- (b) Unless and until a forfeiture of the Restricted Stock, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Corporation, including the right to vote the shares (if applicable) and the right to receive any cash dividends. Unless otherwise determined by the Committee, cash dividends shall be automatically paid in cash and dividends payable in Corporation Stock shall be paid in the form of additional Restricted Stock.
- (c) Except to the extent otherwise provided in the applicable Restricted Stock Agreement and (d) below, all shares still subject to restriction shall be forfeited by the Participant upon termination of a Participant's employment for any reason.
- (d) In the event of hardship or other special circumstances of a Participant whose employment is involuntarily terminated (other than for cause), the Committee may waive in whole or in part any or all remaining restrictions with respect to such Participant's shares of Restricted Stock.
- (e) If and when the applicable restrictions lapse, unlegended certificates for such shares shall be delivered to the Participant.
- (f) Each Award shall be confirmed by, and be subject to the terms of, a Restricted Stock Agreement.

VIII. RESTRICTED STOCK UNITS

8.01 Administration. Restricted Stock Units may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the Eligible Employees to whom and the time or times at which grants of Restricted Stock Units will be made, the number of units to be granted, the time or times within which such Awards may be subject to forfeiture or otherwise restricted and any other terms and conditions of the Awards. The restrictions may be based upon specified Performance Goals, the Participant's continued employment with the Corporation or its Affiliates or such other factors or criteria as the Committee shall determine. The provisions of Restricted Stock Awards need not be the same with respect to each recipient.

8.02 Form and Timing of Payment of Restricted Stock Units. Timing of payment of earned Restricted Stock Units shall be determined by the Committee at its sole discretion. The Committee, in its sole discretion, may pay earned Restricted Stock Units in the form of cash or in shares of Corporation Stock (or in a combination thereof), which have an aggregate Fair Market Value equal to the value of the earned Restricted Stock Units.

IX. WITHHOLDING TAXES

9.01 General Rule. Pursuant to applicable federal and state laws, the Corporation is or may be required to collect withholding taxes upon the exercise of a Stock Option or the lapse of stock restrictions. The Corporation may require, as a condition to the exercise of a Stock Option or the issuance of a stock certificate, that the Participant concurrently pay to the Corporation (either in cash or, at the request of Participant, but subject to such rules and regulations as the Committee may adopt from time to time, in shares of Delivered Stock) the entire amount or a portion of any taxes which the Corporation is required to withhold by reason of such exercise or lapse of restrictions, in such amount as the Committee or the Corporation in its discretion may determine. If and to the extent that withholding of any federal, state or local tax is required in connection with the exercise of an Option or the lapse of stock restrictions, the Participant may, subject to such rules and regulations as the Corporation may adopt from time to time, elect to have the Corporation hold back from the shares to be issued upon the exercise of the Stock Option or the lapse of stock restrictions, the number of shares of Corporation Stock having a Fair Market Value equal to such withholding obligation.

9.02 Special Rule for Insiders. Any such request or election (to satisfy a withholding obligation using shares) by an individual who is subject to the provisions of Section 16 of the Securities Exchange Act of 1934 (an "Insider") shall be made in accordance with the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

X. GENERAL

10.01 Nontransferability. No Award granted under the Plan shall be transferable or assignable (or made subject to any pledge, lien, obligation or liability of a Participant) except by last will and testament or the laws of descent and distribution. Upon a transfer or assignment pursuant to a Participant's last will and testament or the laws of descent and distribution, any Stock Option must be transferred in accordance therewith. During the Participant's lifetime, Stock Options shall be exercisable only by the Participant or by the Participant's guardian or legal representative. Notwithstanding the foregoing, NSOs may be transferred by a Participant to the Participant's spouse, children or grandchildren or to a trust for the benefit of such spouse, children or grandchildren; provided that the terms of any such transfer prohibit the resale of shares acquired upon exercise of the option at a time during which the transferor would not be permitted to sell such shares under the Corporation's policy on trading by insiders.

10.02 General Restriction. Each Award shall be subject to the requirement that if at any time the Board or the Committee shall determine, in its discretion, that the listing, registration, or qualification of securities upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Stock Option or the issue or purchase of securities thereunder, such Stock Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board or the Committee. The Committee shall have the right to rely on an opinion of its counsel as to whether any such listing, registration, qualification, consent or approval shall have been effected or obtained.

10.03 Effect of Termination of Employment, Disability or Death. Except as otherwise provided by the Committee upon any Award, all rights under any Stock Option granted to a Participant shall terminate and any Restricted Stock or Restricted Stock Unit granted to a Participant shall be forfeited on the date such Participant ceases to be employed by the Corporation or its subsidiaries, except that

- (a) if the Participant's employment is terminated by the death of the Participant, any unexercised, unexpired Stock Options granted hereunder to the Participant shall be 100% vested and fully exercisable, in whole or in part, at any time within one year after the date of death, by the Participant's personal representative or by the person to whom the Stock Options are transferred under the Participant's last will and testament or the applicable laws of descent and distribution;
- (b) if the Participant dies within 90 days after termination of employment by the Corporation or its Affiliates, other than for cause, any unexercised, unexpired Stock Options granted hereunder to the Participant and exercisable as of the date of such termination of employment shall be exercisable, in whole or in part, at any time within one year after the date of death, by the Participant's personal representative or by the person to whom the Stock Options are transferred under the Participant's last will and testament or the applicable laws of descent and distribution;
- (c) if the Participant's employment is terminated as a result of the disability of the Participant (a disability means that the Participant is disabled as a result of sickness or injury, such that he or she is unable to satisfactorily perform the material duties of his or her job, as determined by the Board of Directors, on the basis of medical evidence satisfactory to it), any unexercised, unexpired Stock Options granted hereunder to the Participant shall become 100% vested and fully exercisable, in whole or in part, at any time within one year after the date of disability;
- (d) if the Participant's employment is terminated as a result of the Participant's retirement (after age 55 with ten years of employment with the Corporation or an Affiliate or after age 65), any unexercised, unexpired Stock Options granted hereunder to the Participant and exercisable as of the date of such retirement may be exercised by the Participant at any time within one year after the date of retirement; and
- (e) if the Participant's employment is terminated by the Company or an Affiliate for any reason other than the Participant's death, disability or retirement of the Participant, any unexercised, unexpired Stock Options granted hereunder and exercisable as of the date of such termination of employment shall be exercisable in whole or in part at any time within 90 days after such date of termination.

If a Participant's employment is terminated because of the Participant's voluntary separation from the Corporation, or for cause (as determined by the Committee in its sole discretion), all of the Participant's unexercised Stock Options shall expire and all of the Participant's Restricted Stock and Restricted Stock Units shall be forfeited. Notwithstanding the foregoing, no Stock Option shall be exercisable after the date of expiration of its term.

10.04 Merger, Consolidation or Reorganization. In the event of (a) the merger or consolidation of the Corporation with or into another corporation or corporations in which the Corporation is not the surviving corporation, (b) the adoption of any plan for the dissolution of the Corporation, or (c) the sale or exchange of all or substantially all the assets of the Corporation for cash or for shares of stock or other securities of another corporation, all then-unexercised Stock Options shall become fully exercisable, and all restrictions imposed on any then-Restricted Stock shall terminate (such that any Restricted Stock shall become fully transferable) immediately prior to any such merger or consolidation in which the Corporation is not the surviving corporation. Notwithstanding the foregoing, in the case of then-unexercised Stock Options held by persons subject to the reporting requirements of Section 16(a) of the 1934 Act, the Committee may elect to cancel any then-unexercised Stock Option. If any Stock Option is canceled, the Corporation, or the corporation assuming the obligations of the Corporation hereunder, shall pay the Participant an amount of cash or stock, as determined by the Committee, equal to the Fair Market Value per share of the Corporation Stock immediately preceding such cancellation over the option price, multiplied by the number of shares subject to such cancelled Stock Option.

10.05 Expiration and Termination of the Plan. This Plan shall remain in effect until all of the Awards made under the Plan have been exercised, the restrictions thereon have lapsed or the Awards have expired, terminated, or been canceled or forfeited. Notwithstanding the foregoing, no Awards shall be granted under the Plan, after that date which is ten years after the Plan is approved by the Board; or such earlier date as the Board determines in its sole discretion.

10.06 Amendments. The Board may from time to time amend, modify, suspend or terminate the Plan; provided, however, that no such action shall (a) impair without the Participant's consent any Award theretofore granted under the Plan or deprive any Participant of any shares of Corporation Stock which he may have acquired through or as a result of the Plan or (b) be made without shareholder approval where such approval would be required as a condition of compliance with Rule 16b-3.

10.07 Wisconsin Law. Except as otherwise required by applicable federal laws, the Plan shall be governed by, and construed in accordance with, the laws of the State of Wisconsin.

10.08 Unfunded Plan. The Plan, insofar as it provides for Awards, shall be unfunded and the Corporation shall not be required to segregate any assets that may at any time be represented by Awards under this Plan. Any liability of the Corporation to any Person with respect to any Award under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Corporation shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Corporation.

10.09 Rules of Construction. Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

10.10 Gender and Number. Except when otherwise required by the context, words in the masculine gender shall include the feminine, the singular shall include the plural, and the plural the singular.

BRADY CORPORATION
2003 OMNIBUS INCENTIVE STOCK PLAN

I. INTRODUCTION

1.01 Purpose. This plan shall be known as the Brady Corporation 2003 Omnibus Incentive Stock Plan. The purpose of the Plan is to provide an incentive for employees of Brady Corporation and its Affiliates to improve corporate performance on a long-term basis, and to attract and retain employees by enabling employees to participate in the future successes of the Corporation, and by associating the long term interests of employees with those of the Corporation and its shareholders. It is intended that the Plan and its operation comply with the provisions of Rule 16b-3 under the Securities Exchange Act of 1934 (or any successor rule). The Plan is intended to permit the grant of Nonqualified Stock Options, Incentive Stock Options, shares of Restricted Stock and Restricted Stock Units. The proceeds received by the Corporation from the sale of Corporation Stock pursuant to the Plan shall be used for general corporate purposes.

1.02 Effective Date. The effective date of the Plan shall be July 22, 2003, subject to approval of the Plan by holders of a majority of the outstanding voting common stock of the Corporation provided that such approval is given within 12 months of the effective date. Any Award granted prior to such shareholder approval shall be expressly conditioned upon shareholder approval of the Plan.

1.03 Effect on 2001 Plan. If the Plan is approved, no further awards or grants will be made under the Brady Corporation 2001 Omnibus Incentive Stock Plan (the "2001 Plan"). Awards under the 2001 Plan will remain in effect until they have been exercised or have expired.

II. PLAN DEFINITIONS

For Plan purposes, except where the context clearly indicates otherwise, the following terms shall have the meanings set forth below:

- (a) "Affiliates" means any "subsidiary corporation" or "parent corporation" as such terms are defined in Section 424 of the Code.
- (b) "Agreement" means a written agreement (including any amendment or supplement thereto) between the Corporation and a Participant specifying the terms and conditions of an Award.
- (c) "Award" shall mean the grant of any form of Stock Option, Restricted Stock or Restricted Stock Units.
- (d) "Board" shall mean the Board of Directors of the Corporation.
- (e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

- (f) “Committee” shall mean the Committee described in Section 4.01.
- (g) “Corporation” shall mean Brady Corporation, a Wisconsin corporation.
- (h) “Corporation Stock” shall mean the Corporation’s Class A Non-Voting Common Stock, \$.01 par value, and such other stock and securities as may be substituted therefor pursuant to Section 3.02.
- (i) “Eligible Employee” shall mean any regular salaried employee of the Corporation or an Affiliate, including an employee who is a member of the Board, who satisfies the requirements of Section 5.01.
- (j) “Exercise Period” shall mean the period of time provided pursuant to Section 6.05 within which a Stock Option may be exercised.
- (k) “Fair Market Value” on any date shall mean, with respect to Corporation Stock, if the stock is then listed and traded on a registered national securities exchange, or is quoted in the NASDAQ National Market System, the average of the high and low sale prices recorded in composite transactions for such date or, if such date is not a business day or if no sales of Corporation Stock shall have been reported with respect to such date, the next preceding business date with respect to which sales were reported. In the absence of reported sales or if the stock is not so listed or quoted, but is traded in the over-the-counter market, Fair Market Value shall be the average of the closing bid and asked prices for such shares on the relevant date.
- (l) “Participant” means an Eligible Employee who has been granted an Award under this Plan.
- (m) “Performance Goals” means the performance goals established by the Committee prior to the grant of any Award of Stock Options, Restricted Stock or Restricted Stock Units intended to qualify as “performance-based compensation” under Section 162(m) of the Code. Performance Goals may be established at the Company or business unit level and may be based upon the attainment of goals relating to one or more of the following business criteria measured on an absolute basis or in terms of growth or reduction: revenue, expenses, net income (pre-tax or after-tax and with adjustments as stipulated), earnings per share, return on equity, return on assets, return on tangible book value, operating income, earnings before depreciation, interest, taxes and amortization (EBDITA), loss ratio, expense ratio, increase in stock price, total shareholder return, economic value added and operating cash flow. The Committee may establish other subjective or objective performance goals, including individual goals, which it deems appropriate.
- (n) “Person” means any individual or entity, and the heirs, personal representatives, executors, administrators, legal representatives, successors and assigns of such Person as the context may require.

- (o) “Plan” shall mean the Brady Corporation 2003 Omnibus Incentive Stock Plan, as set forth herein, as it may be amended from time to time.
- (p) “Restricted Stock” means shares of Corporation Stock granted to a Participant under Article VII.
- (q) “Restricted Stock Unit” means an Award granted to a Participant under Article VIII.
- (r) “Stock Option” means an option to purchase a stated number of shares of Corporation Stock at the price set forth in an Agreement. A Stock Option may be either a Nonqualified Stock Option or an Incentive Stock Option.

III. SHARES SUBJECT TO AWARD

3.01 Available Shares. Subject to adjustments under Section 3.02, the total number of shares of Corporation Stock authorized for issuance shall not exceed seven hundred fifty thousand (750,000) shares, provided that no individual Eligible Employee may be granted an Award or Awards under the Plan covering more than one hundred thousand (100,000) shares of Corporation Stock in any calendar year (determined without regard to grants under any other plan or program). The shares authorized for issuance under the Plan may consist, in whole or in part, of authorized but unissued Corporation Stock, or of treasury stock of the Corporation. Shares subject to and not issued under an Award that expires, terminates, is canceled or forfeited for any reason under the Plan shall again become available for the granting of Awards.

3.02 Changes in Corporation Stock. In the event of any change in the Corporation Stock resulting from a reorganization, recapitalization, stock split, stock dividend, merger, consolidation, rights offering or like transaction, the Committee shall proportionately and appropriately adjust: (a) the aggregate number and kind of shares authorized for issuance under the Plan; and (b) in the case of previously-granted Stock Options, the option price and the number and kind of shares subject to the Stock Options, without any change in the aggregate purchase price to be paid for the Stock Options.

IV. ADMINISTRATION

4.01 Administration by the Committee. The Plan shall be administered by the Committee. The Committee shall be a committee designated by the Board to administer the Plan and shall initially be the Compensation Committee of the Board. The Committee shall be constituted to permit the Plan to comply with the provisions of Rule 16b-3 under the Securities Exchange Act of 1934 (or any successor rule) and Section 162(m) of the Code. A majority of the members of the Committee shall constitute a quorum. The approval of such a quorum, expressed by a majority vote at a meeting held either in person or by conference telephone call, or the unanimous consent of all members in writing without a meeting, shall constitute the action of the Committee and shall be valid and effective for all purposes of the Plan.

4.02 Committee Powers. Subject to Section 10.06, the Committee is empowered to adopt, amend and rescind such rules, regulations and procedures and take such other action as it shall deem necessary or proper for the administration of the Plan and, in its discretion, may modify, extend or renew any Award theretofore granted. The Committee shall also have

authority to interpret the Plan, and the decision of the Committee on any questions concerning the interpretation of the Plan shall be final and conclusive. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. The Committee shall not incur any liability for any action taken in good faith with respect to the Plan or any Award.

Subject to the provisions of the Plan, the Committee shall have full and final authority to:

- (a) designate the Eligible Employees to whom Awards shall be granted;
- (b) grant Awards in such form and amount as the Committee shall determine;
- (c) impose such limitations, restrictions and conditions upon any such Award as the Committee shall deem appropriate, including conditions (in addition to those contained in this Plan) (i) on the exercisability of all or any portion of a Stock Option, (ii) on the transferability or forfeitability of Restricted Stock or (iii) requiring an Eligible Employee to retain all or a portion of the Corporation Stock for a period of time following the exercise of a Stock Option, the vesting of Restricted Stock or the payment of Restricted Stock Units;
- (d) prescribe the form of Agreement with respect to each Award;
- (e) waive in whole or in part any limitations, restrictions or conditions imposed upon any such Award as the Committee shall deem appropriate (including accelerating the time at which any Stock Option may be exercised or the time at which Restricted Stock may become transferable or nonforfeitable);
- (f) make adjustments in the terms and conditions of a Performance Goal in recognition of unusual or nonrecurring events affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, provided that no such adjustment shall be authorized to the extent that such adjustment would be inconsistent with the Plan's or any Performance Award meeting the requirements of Section 162(m) of the Code; and
- (g) determine the extent to which leaves of absence for governmental or military service, illness, temporary disability and the like shall not be deemed interruptions of continuous employment.

V. PARTICIPATION

5.01 Eligibility. Any employee of the Corporation and its Affiliates (including officers and employees who may be members of the Board) who, in the sole opinion of the Committee, has contributed or can be expected to contribute to the profits, growth and success of the

Corporation shall be eligible for Awards under the Plan. A member of the Committee or any person who is expected to become a member within one year of any Award shall not be an Eligible Employee if his or her status as an Eligible Employee would prevent the Committee from being “disinterested” under Rule 16b-3 under the Securities Exchange Act of 1934. From among all such Eligible Employees, the Committee shall determine from time to time those Eligible Employees to whom Awards shall be granted. No Eligible Employee shall have any right whatsoever to receive an Award unless so determined by the Committee.

5.02 No Employment Rights. The Plan shall not be construed as conferring any rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Corporation or any Affiliates to terminate the employment of any person or to take any other action affecting such person.

VI. STOCK OPTIONS

6.01 Stock Options; General. Stock Options granted under the Plan shall be in the form of Nonqualified Stock Options (“NSOs”), Incentive Stock Options (“ISOs”) or a combination thereof. Each Stock Option granted under the Plan shall be evidenced by an Agreement which shall contain the terms and conditions required by this Article VI, and such other terms and conditions, not inconsistent herewith, as the Committee may deem appropriate in each case. A Stock Option granted under the Plan shall not be treated as an Incentive Stock Option unless the Stock Option Agreement specifically designates the option as an Incentive Stock Option.

6.02 Stock Option Holder’s Rights as a Shareholder. The holder of a Stock Option shall not have any rights as a shareholder with respect to the shares covered by a Stock Option until such shares have been delivered to him or her.

6.03 Option Price. The price at which each share of Corporation Stock covered by a Stock Option may be purchased shall be not less than 100% of the Fair Market Value of such stock on the date on which the option is granted. The option price shall be subject to adjustment as provided in Section 3.02 hereof.

6.04 Date Stock Option Granted. For purposes of the Plan, a Stock Option shall be considered as having been granted on the date on which the Committee authorized the grant of the Stock Option except where the Committee has designated a later date, in which event the later date shall constitute the date of grant of the Stock Option; provided, however, that notice of the grant of the Stock Option shall be given to the Participant within a reasonable time.

6.05 Exercise Period. The Committee shall have the power to set the time or times within which each Option shall be exercisable, and to accelerate the time or times of exercise; provided, however, that

- (a) no Stock Option granted under this Plan to any Person subject to the reporting requirements of Section 16(b) of the Securities and Exchange Act of 1934 may be exercised until at least six months from the later of (i) the date of grant or (ii) shareholder approval of the Plan, and

- (b) no Stock Option shall be exercisable after the expiration of ten (10) years from the date the Stock Option is granted. Each Agreement with respect to a Stock Option shall state the period or periods of time within which the Stock Option may be exercised by the Participant, in whole or in part.

Subject to the foregoing, unless the Agreement with respect to a Stock Option expressly provides otherwise, a Stock Option shall be exercisable in accordance with the following schedule:

<u>Years After Date of Grant</u>	<u>Percentage of Shares</u>
Less than 1	0%
1 but less than 2	33-1/3%
2 but less than 3	66-2/3%
3 or more	100%

6.06 Method of Exercise. Subject to Section 6.05, each Stock Option may be exercised in whole or in part from time to time as specified in the Agreements provided, however, that each Participant may exercise a Stock Option in whole or in part by giving written notice of the exercise to the Corporation, specifying the number of shares to be purchased by payment in full of the purchase price therefor. The purchase price may be paid (a) in cash, (b) by check, (c) with the approval of the Committee, or if the applicable Agreement so provides, by delivering shares of Corporation Stock ("Delivered Stock), or (d) with a combination of cash, check and Delivered Stock. For purposes of the foregoing, Delivered Stock shall be valued at its Fair Market Value determined as of the business day immediately preceding the date of exercise of the Stock Option. No Participant shall be under any obligation to exercise any Stock Option hereunder.

6.07 Dissolution or Liquidation. Anything contained herein to the contrary notwithstanding, on the effective date of any dissolution or liquidation of the Corporation, any unexercised Stock Options shall be deemed cancelled, and the holder of any such unexercised Stock Options shall be entitled to receive payment under Section 10.04.

6.08 Special Rules for Incentive Stock Options. For so long as Section 422 (or any successor provision) of the Code so provides:

- (a) The aggregate Fair Market Value of Corporation Stock (determined as of the date the stock option is granted) with respect to which ISOs are exercisable for the first time during a calendar year may not exceed \$100,000. To the extent that the value of the stock subject to options exceeds that amount, the excess shall be considered to be NSOs, with the determination to be made in the order the options are granted.
- (b) Employees who own, directly or indirectly, within the meaning of Code Section 425(d), more than 10% of the voting power of all classes of stock of the Corporation or any parent or subsidiary corporation shall not be

eligible to receive an ISO hereunder unless the purchase price per share under such option is at least 110% of the Fair Market Value of the stock subject to the option and such option by its terms is not exercisable after the expiration of five (5) years from the date such option is granted

- (c) To obtain favorable ISO tax treatment, the option must be exercised while the Participant is an employee, or within three months after the Participant's termination as an employee; provided that, in the case of termination on account of disability (as defined in Section 22(e)(3) of the Code), the exercise period may be extended to one year; and further provided that the employment requirement is waived in the case of the participant's death.

VII. RESTRICTED STOCK

7.01 Administration. Shares of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the Eligible Employees to whom and the time or times at which grants of Restricted Stock will be made, the number of shares to be granted, the time or times within which such Awards may be subject to forfeiture or otherwise restricted and any other terms and conditions of the Awards. The restrictions may be based upon specified Performance Goals, the Participant's continued employment with the Corporation or its Affiliates or such other factors or criteria as the Committee shall determine. Subject to Sections 7.02 and 7.03 hereof the provisions of Restricted Stock Awards need not be the same with respect to each recipient.

7.02 Certificates. Each individual receiving a Restricted Stock Award shall be issued a certificate in respect of such shares of Restricted Stock which certificate shall be held in custody by the Corporation until the restrictions thereon shall have lapsed. In addition, each individual receiving a Restricted Stock Award shall, as a condition of any such Restricted Stock Award, have delivered to the Corporation a stock power, endorsed in blank, with respect to the Corporation Stock covered by such Award. Each certificate in respect of shares of Restricted Stock shall be registered in the name of the Participant to whom such Restricted Stock has been granted and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Brady Corporation 2003 Omnibus Incentive Stock Plan and a Restricted Stock Agreement. Copies of such Plan and Agreement are on file at the offices of the Brady Corporation."

In addition each certificate in respect of shares of Restricted Stock may bear such legends and statements as the Committee may deem advisable to assure compliance with the federal and state laws and regulations.

7.03 Terms and Conditions. Shares of Restricted Stock shall be subject to the following terms and conditions:

- (a) Until the applicable restrictions lapse, the Participant shall not be permitted to sell, assign, transfer, exchange, pledge, hypothecate or otherwise dispose of or encumber shares of Restricted Stock.
- (b) Unless and until a forfeiture of the Restricted Stock, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Corporation, including the right to vote the shares (if applicable) and the right to receive any cash dividends. Unless otherwise determined by the Committee, cash dividends shall be automatically paid in cash and dividends payable in Corporation Stock shall be paid in the form of additional Restricted Stock.
- (c) Except to the extent otherwise provided in the applicable Restricted Stock Agreement and (d) below, all shares still subject to restriction shall be forfeited by the Participant upon termination of a Participant's employment for any reason.
- (d) In the event of hardship or other special circumstances of a Participant whose employment is involuntarily terminated (other than for cause), the Committee may waive in whole or in part any or all remaining restrictions with respect to such Participant's shares of Restricted Stock.
- (e) If and when the applicable restrictions lapse, unlegended certificates for such shares shall be delivered to the Participant.
- (f) Each Award shall be confirmed by, and be subject to the terms of, a Restricted Stock Agreement.

VIII. RESTRICTED STOCK UNITS

8.01 Administration. Restricted Stock Units may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the Eligible Employees to whom and the time or times at which grants of Restricted Stock Units will be made, the number of units to be granted, the time or times within which such Awards may be subject to forfeiture or otherwise restricted and any other terms and conditions of the Awards. The restrictions may be based upon specified Performance Goals, the Participant's continued employment with the Corporation or its Affiliates or such other factors or criteria as the Committee shall determine. The provisions of Restricted Stock Awards need not be the same with respect to each recipient.

8.02 Form and Timing of Payment of Restricted Stock Units. Timing of payment of earned Restricted Stock Units shall be determined by the Committee at its sole discretion. The Committee, in its sole discretion, may pay earned Restricted Stock Units in the form of cash or in shares of Corporation Stock (or in a combination thereof), which have an aggregate Fair Market Value equal to the value of the earned Restricted Stock Units.

IX. WITHHOLDING TAXES

9.01 General Rule. Pursuant to applicable federal and state laws, the Corporation is or may be required to collect withholding taxes upon the exercise of a Stock Option or the lapse of stock restrictions. The Corporation may require, as a condition to the exercise of a Stock Option or the issuance of a stock certificate, that the Participant concurrently pay to the Corporation (either in cash or, at the request of Participant, but subject to such rules and regulations as the Committee may adopt from time to time, in shares of Delivered Stock) the entire amount or a portion of any taxes which the Corporation is required to withhold by reason of such exercise or lapse of restrictions, in such amount as the Committee or the Corporation in its discretion may determine. If and to the extent that withholding of any federal, state or local tax is required in connection with the exercise of an Option or the lapse of stock restrictions, the Participant may, subject to such rules and regulations as the Corporation may adopt from time to time, elect to have the Corporation hold back from the shares to be issued upon the exercise of the Stock Option or the lapse of stock restrictions, the number of shares of Corporation Stock having a Fair Market Value equal to such withholding obligation.

9.02 Special Rule for Insiders. Any such request or election (to satisfy a withholding obligation using shares) by an individual who is subject to the provisions of Section 16 of the Securities Exchange Act of 1934 (an "Insider") shall be made in accordance with the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

X. GENERAL

10.01 Nontransferability. No Award granted under the Plan shall be transferable or assignable (or made subject to any pledge, lien, obligation or liability of a Participant) except by last will and testament or the laws of descent and distribution. Upon a transfer or assignment pursuant to a Participant's last will and testament or the laws of descent and distribution, any Stock Option must be transferred in accordance therewith. During the Participant's lifetime, Stock Options shall be exercisable only by the Participant or by the Participant's guardian or legal representative. Notwithstanding the foregoing, NSOs may be transferred by a Participant to the Participant's spouse, children or grandchildren or to a trust for the benefit of such spouse, children or grandchildren; provided that the terms of any such transfer prohibit the resale of shares acquired upon exercise of the option at a time during which the transferor would not be permitted to sell such shares under the Corporation's policy on trading by insiders.

10.02 General Restriction. Each Award shall be subject to the requirement that if at any time the Board or the Committee shall determine, in its discretion, that the listing, registration, or qualification of securities upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Stock Option or the issue or purchase of securities thereunder, such Stock Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board or the Committee. The Committee shall have the right to rely on an opinion of its counsel as to whether any such listing, registration, qualification, consent or approval shall have been effected or obtained.

10.03 Effect of Termination of Employment, Disability or Death. Except as otherwise provided by the Committee upon any Award, all rights under any Stock Option granted to a Participant shall terminate and any Restricted Stock or Restricted Stock Unit granted to a Participant shall be forfeited on the date such Participant ceases to be employed by the Corporation or its subsidiaries, except that

- (a) if the Participant's employment is terminated by the death of the Participant, any unexercised, unexpired Stock Options granted hereunder to the Participant shall be 100% vested and fully exercisable, in whole or in part, at any time within one year after the date of death, by the Participant's personal representative or by the person to whom the Stock Options are transferred under the Participant's last will and testament or the applicable laws of descent and distribution;
- (b) if the Participant dies within 90 days after termination of employment by the Corporation or its Affiliates, other than for cause, any unexercised, unexpired Stock Options granted hereunder to the Participant and exercisable as of the date of such termination of employment shall be exercisable, in whole or in part, at any time within one year after the date of death, by the Participant's personal representative or by the person to whom the Stock Options are transferred under the Participant's last will and testament or the applicable laws of descent and distribution;
- (c) if the Participant's employment is terminated as a result of the disability of the Participant (a disability means that the Participant is disabled as a result of sickness or injury, such that he or she is unable to satisfactorily perform the material duties of his or her job, as determined by the Board of Directors, on the basis of medical evidence satisfactory to it), any unexercised, unexpired Stock Options granted hereunder to the Participant shall become 100% vested and fully exercisable, in whole or in part, at any time within one year after the date of disability;
- (d) if the Participant's employment is terminated as a result of the Participant's retirement (after age 55 with ten years of employment with the Corporation or an Affiliate or after age 65), any unexercised, unexpired Stock Options granted hereunder to the Participant and exercisable as of the date of such retirement may be exercised by the Participant at any time within one year after the date of retirement; and
- (e) if the Participant's employment is terminated by the Company or an Affiliate for any reason other than the Participant's death, disability or retirement of the Participant or for cause, any unexercised, unexpired Stock Options granted hereunder and exercisable as of the date of such termination of employment shall be exercisable in whole or in part at any time within 90 days after such date of termination.

If a Participant's employment is terminated for cause (as determined by the Committee in its sole discretion), all of the Participant's unexercised Stock Options shall expire and all of the

Participant's Restricted Stock and Restricted Stock Units shall be forfeited. Notwithstanding the foregoing, no Stock Option shall be exercisable after the date of expiration of its term.

10.04 Merger, Consolidation or Reorganization. In the event of (a) the merger or consolidation of the Corporation with or into another corporation or corporations in which the Corporation is not the surviving corporation, (b) the adoption of any plan for the dissolution of the Corporation, or (c) the sale or exchange of all or substantially all the assets of the Corporation for cash or for shares of stock or other securities of another corporation, all then-unexercised Stock Options shall become fully exercisable, and all restrictions imposed on any then-Restricted Stock shall terminate (such that any Restricted Stock shall become fully transferable) immediately prior to any such merger or consolidation in which the Corporation is not the surviving corporation. Notwithstanding the foregoing, in the case of then-unexercised Stock Options held by persons subject to the reporting requirements of Section 16(a) of the 1934 Act, the Committee may elect to cancel any then-unexercised Stock Option. If any Stock Option is canceled, the Corporation, or the corporation assuming the obligations of the Corporation hereunder, shall pay the Participant an amount of cash or stock, as determined by the Committee, equal to the Fair Market Value per share of the Corporation Stock immediately preceding such cancellation over the option price, multiplied by the number of shares subject to such cancelled Stock Option.

10.05 Expiration and Termination of the Plan. This Plan shall remain in effect until all of the Awards made under the Plan have been exercised, the restrictions thereon have lapsed or the Awards have expired, terminated, or been canceled or forfeited. Notwithstanding the foregoing, no Awards shall be granted under the Plan, after that date which is ten years after the Plan is approved by the Board; or such earlier date as the Board determines in its sole discretion.

10.06 Amendments. The Board may from time to time amend, modify, suspend or terminate the Plan; provided, however, that no such action shall (a) impair without the Participant's consent any Award theretofore granted under the Plan or deprive any Participant of any shares of Corporation Stock which he may have acquired through or as a result of the Plan or (b) be made without shareholder approval where such approval would be required as a condition of compliance with Rule 16b-3.

10.07 Wisconsin Law. Except as otherwise required by applicable federal laws, the Plan shall be governed by, and construed in accordance with, the laws of the State of Wisconsin.

10.08 Unfunded Plan. The Plan, insofar as it provides for Awards, shall be unfunded and the Corporation shall not be required to segregate any assets that may at any time be represented by Awards under this Plan. Any liability of the Corporation to any Person with respect to any Award under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Corporation shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Corporation.

10.09 Rules of Construction. Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

10.10 Gender and Number. Except when otherwise required by the context, words in the masculine gender shall include the feminine, the singular shall include the plural, and the plural the singular.

BRADY CORPORATION
2004 OMNIBUS INCENTIVE STOCK PLAN

I. INTRODUCTION

1.01 Purpose. This plan shall be known as the Brady Corporation 2004 Omnibus Incentive Stock Plan. The purpose of the Plan is to provide an incentive for employees of Brady Corporation and its Affiliates to improve corporate performance on a long-term basis, and to attract and retain employees by enabling employees to participate in the future successes of the Corporation, and by associating the long term interests of employees with those of the Corporation and its shareholders. It is intended that the Plan and its operation comply with the provisions of Rule 16b-3 under the Securities Exchange Act of 1934 (or any successor rule). The Plan is intended to permit the grant of Nonqualified Stock Options, Incentive Stock Options, shares of Restricted Stock and Restricted Stock Units. The proceeds received by the Corporation from the sale of Corporation Stock pursuant to the Plan shall be used for general corporate purposes.

1.02 Effective Date. The effective date of the Plan shall be November 18, 2004, subject to approval of the Plan by holders of a majority of the outstanding voting common stock of the Corporation provided that such approval is given within 12 months of the effective date. Any Award granted prior to such shareholder approval shall be expressly conditioned upon shareholder approval of the Plan.

II. PLAN DEFINITIONS

For Plan purposes, except where the context clearly indicates otherwise, the following terms shall have the meanings set forth below:

- (a) “Affiliates” means any “subsidiary corporation” or “parent corporation” as such terms are defined in Section 424 of the Code.
- (b) “Agreement” means a written agreement (including any amendment or supplement thereto) between the Corporation and a Participant specifying the terms and conditions of an Award.
- (c) “Award” shall mean the grant of any form of Stock Option, Restricted Stock or Restricted Stock Units.
- (d) “Board” shall mean the Board of Directors of the Corporation.
- (e) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (f) “Committee” shall mean the Committee described in Section 4.01.
- (g) “Corporation” shall mean Brady Corporation, a Wisconsin corporation.

- (h) “Corporation Stock” shall mean the Corporation’s Class A Non-Voting Common Stock, \$.01 par value, and such other stock and securities as may be substituted therefor pursuant to Section 3.02.
- (i) “Eligible Employee” shall mean any regular salaried employee of the Corporation or an Affiliate, including an employee who is a member of the Board, who satisfies the requirements of Section 5.01.
- (j) “Exercise Period” shall mean the period of time provided pursuant to Section 6.05 within which a Stock Option may be exercised.
- (k) “Fair Market Value” on any date shall mean, with respect to Corporation Stock, if the stock is then listed and traded on a registered national securities exchange, or is quoted in the NASDAQ National Market System, the average of the high and low sale prices recorded in composite transactions for such date or, if such date is not a business day or if no sales of Corporation Stock shall have been reported with respect to such date, the next preceding business date with respect to which sales were reported. In the absence of reported sales or if the stock is not so listed or quoted, but is traded in the over-the-counter market, Fair Market Value shall be the average of the closing bid and asked prices for such shares on the relevant date.
- (l) “Participant” means an Eligible Employee who has been granted an Award under this Plan.
- (m) “Performance Goals” means the performance goals established by the Committee prior to the grant of any Award of Stock Options, Restricted Stock or Restricted Stock Units intended to qualify as “performance-based compensation” under Section 162(m) of the Code. Performance Goals may be established at the Company or business unit level and may be based upon the attainment of goals relating to one or more of the following business criteria measured on an absolute basis or in terms of growth or reduction: revenue, expenses, net income (pre-tax or after-tax and with adjustments as stipulated), earnings per share, return on equity, return on assets, return on tangible book value, operating income, earnings before depreciation, interest, taxes and amortization (EBDITA), loss ratio, expense ratio, increase in stock price, total shareholder return, economic value added and operating cash flow. The Committee may establish other subjective or objective performance goals, including individual goals, which it deems appropriate.
- (n) “Person” means any individual or entity, and the heirs, personal representatives, executors, administrators, legal representatives, successors and assigns of such Person as the context may require.
- (o) “Plan” shall mean the Brady Corporation 2004 Omnibus Incentive Stock Plan, as set forth herein, as it may be amended from time to time.

- (p) “Restricted Stock” means shares of Corporation Stock granted to a Participant under Article VII.
- (q) “Restricted Stock Unit” means an Award granted to a Participant under Article VIII.
- (r) “Stock Option” means an option to purchase a stated number of shares of Corporation Stock at the price set forth in an Agreement. A Stock Option may be either a Nonqualified Stock Option or an Incentive Stock Option.

III. SHARES SUBJECT TO AWARD

3.01 Available Shares. Subject to adjustments under Section 3.02, the total number of shares of Corporation Stock authorized for issuance shall not exceed seven hundred fifty thousand (750,000) shares, provided that no individual Eligible Employee may be granted an Award or Awards under the Plan covering more than one hundred thousand (100,000) shares of Corporation Stock in any calendar year (determined without regard to grants under any other plan or program). The shares authorized for issuance under the Plan may consist, in whole or in part, of authorized but unissued Corporation Stock, or of treasury stock of the Corporation. Shares subject to and not issued under an Award that expires, terminates, is canceled or forfeited for any reason under the Plan shall again become available for the granting of Awards.

3.02 Changes in Corporation Stock. In the event of any change in the Corporation Stock resulting from a reorganization, recapitalization, stock split, stock dividend, merger, consolidation, rights offering or like transaction, the Committee shall proportionately and appropriately adjust: (a) the aggregate number and kind of shares authorized for issuance under the Plan; and (b) in the case of previously-granted Stock Options, the option price and the number and kind of shares subject to the Stock Options, without any change in the aggregate purchase price to be paid for the Stock Options.

IV. ADMINISTRATION

4.01 Administration by the Committee. The Plan shall be administered by the Committee. The Committee shall be a committee designated by the Board to administer the Plan and shall initially be the Compensation Committee of the Board. The Committee shall be constituted to permit the Plan to comply with the provisions of Rule 16b-3 under the Securities Exchange Act of 1934 (or any successor rule) and Section 162(m) of the Code. A majority of the members of the Committee shall constitute a quorum. The approval of such a quorum, expressed by a majority vote at a meeting held either in person or by conference telephone call, or the unanimous consent of all members in writing without a meeting, shall constitute the action of the Committee and shall be valid and effective for all purposes of the Plan.

4.02 Committee Powers. Subject to Section 10.06, the Committee is empowered to adopt, amend and rescind such rules, regulations and procedures and take such other action as it shall deem necessary or proper for the administration of the Plan and, in its discretion, may modify, extend or renew any Award theretofore granted. The Committee shall also have authority to interpret the Plan, and the decision of the Committee on any questions concerning the interpretation of the Plan shall be final and conclusive. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the

Committee. The Committee shall not incur any liability for any action taken in good faith with respect to the Plan or any Award.

Subject to the provisions of the Plan, the Committee shall have full and final authority to:

- (a) designate the Eligible Employees to whom Awards shall be granted;
- (b) grant Awards in such form and amount as the Committee shall determine;
- (c) impose such limitations, restrictions and conditions upon any such Award as the Committee shall deem appropriate, including conditions (in addition to those contained in this Plan) (i) on the exercisability of all or any portion of a Stock Option, (ii) on the transferability or forfeitability of Restricted Stock or (iii) requiring an Eligible Employee to retain all or a portion of the Corporation Stock for a period of time following the exercise of a Stock Option, the vesting of Restricted Stock or the payment of Restricted Stock Units;
- (d) prescribe the form of Agreement with respect to each Award;
- (e) waive in whole or in part any limitations, restrictions or conditions imposed upon any such Award as the Committee shall deem appropriate (including accelerating the time at which any Stock Option may be exercised or the time at which Restricted Stock may become transferable or nonforfeitable);
- (f) make adjustments in the terms and conditions of a Performance Goal in recognition of unusual or nonrecurring events affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, provided that no such adjustment shall be authorized to the extent that such adjustment would be inconsistent with the Plan's or any Performance Award meeting the requirements of Section 162(m) of the Code; and
- (g) determine the extent to which leaves of absence for governmental or military service, illness, temporary disability and the like shall not be deemed interruptions of continuous employment.

V. PARTICIPATION

5.01 Eligibility. Any employee of the Corporation and its Affiliates (including officers and employees who may be members of the Board) who, in the sole opinion of the Committee, has contributed or can be expected to contribute to the profits, growth and success of the Corporation shall be eligible for Awards under the Plan. A member of the Committee or any person who is expected to become a member within one year of any Award shall not be an Eligible Employee if his or her status as an Eligible Employee would prevent the Committee

from being “disinterested” under Rule 16b-3 under the Securities Exchange Act of 1934. From among all such Eligible Employees, the Committee shall determine from time to time those Eligible Employees to whom Awards shall be granted. No Eligible Employee shall have any right whatsoever to receive an Award unless so determined by the Committee.

5.02 No Employment Rights. The Plan shall not be construed as conferring any rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Corporation or any Affiliates to terminate the employment of any person or to take any other action affecting such person.

VI. STOCK OPTIONS

6.01 Stock Options; General. Stock Options granted under the Plan shall be in the form of Nonqualified Stock Options (“NSOs”), Incentive Stock Options (“ISOs”) or a combination thereof. Each Stock Option granted under the Plan shall be evidenced by an Agreement which shall contain the terms and conditions required by this Article VI, and such other terms and conditions, not inconsistent herewith, as the Committee may deem appropriate in each case. A Stock Option granted under the Plan shall not be treated as an Incentive Stock Option unless the Stock Option Agreement specifically designates the option as an Incentive Stock Option.

6.02 Stock Option Holder’s Rights as a Shareholder. The holder of a Stock Option shall not have any rights as a shareholder with respect to the shares covered by a Stock Option until such shares have been delivered to him or her.

6.03 Option Price. The price at which each share of Corporation Stock covered by a Stock Option may be purchased shall be not less than 100% of the Fair Market Value of such stock on the date on which the option is granted. The option price shall be subject to adjustment as provided in Section 3.02 hereof.

6.04 Date Stock Option Granted. For purposes of the Plan, a Stock Option shall be considered as having been granted on the date on which the Committee authorized the grant of the Stock Option except where the Committee has designated a later date, in which event the later date shall constitute the date of grant of the Stock Option; provided, however, that notice of the grant of the Stock Option shall be given to the Participant within a reasonable time.

6.05 Exercise Period. The Committee shall have the power to set the time or times within which each Option shall be exercisable, and to accelerate the time or times of exercise; provided, however, that

- (a) no Stock Option granted under this Plan to any Person subject to the reporting requirements of Section 16(b) of the Securities and Exchange Act of 1934 may be exercised until at least six months from the later of (i) the date of grant or (ii) shareholder approval of the Plan, and
- (b) no Stock Option shall be exercisable after the expiration of ten (10) years from the date the Stock Option is granted. Each Agreement with respect to a Stock Option shall state the period or periods of time within which the Stock Option may be exercised by the Participant, in whole or in part.

Subject to the foregoing, unless the Agreement with respect to a Stock Option expressly provides otherwise, a Stock Option shall be exercisable in accordance with the following schedule:

<u>Years After Date of Grant</u>	<u>Percentage of Shares</u>
Less than 1	0%
1 but less than 2	33-1/3%
2 but less than 3	66-2/3%
3 or more	100%

6.06 Method of Exercise. Subject to Section 6.05, each Stock Option may be exercised in whole or in part from time to time as specified in the Agreements provided, however, that each Participant may exercise a Stock Option in whole or in part by giving written notice of the exercise to the Corporation, specifying the number of shares to be purchased by payment in full of the purchase price therefor. The purchase price may be paid (a) in cash, (b) by check, (c) with the approval of the Committee, or if the applicable Agreement so provides, by delivering shares of Corporation Stock ("Delivered Stock), or (d) with a combination of cash, check and Delivered Stock. For purposes of the foregoing, Delivered Stock shall be valued at its Fair Market Value determined as of the business day immediately preceding the date of exercise of the Stock Option. No Participant shall be under any obligation to exercise any Stock Option hereunder.

6.07 Dissolution or Liquidation. Anything contained herein to the contrary notwithstanding, on the effective date of any dissolution or liquidation of the Corporation, any unexercised Stock Options shall be deemed cancelled, and the holder of any such unexercised Stock Options shall be entitled to receive payment under Section 10.04.

6.08 Special Rules for Incentive Stock Options. For so long as Section 422 (or any successor provision) of the Code so provides:

- (a) The aggregate Fair Market Value of Corporation Stock (determined as of the date the stock option is granted) with respect to which ISOs are exercisable for the first time during a calendar year may not exceed \$100,000. To the extent that the value of the stock subject to options exceeds that amount, the excess shall be considered to be NSOs, with the determination to be made in the order the options are granted.
- (b) Employees who own, directly or indirectly, within the meaning of Code Section 425(d), more than 10% of the voting power of all classes of stock of the Corporation or any parent or subsidiary corporation shall not be eligible to receive an ISO hereunder unless the purchase price per share under such option is at least 110% of the Fair Market Value of the stock subject to the option and such option by its terms is not exercisable after the expiration of five (5) years from the date such option is granted

- (c) To obtain favorable ISO tax treatment, the option must be exercised while the Participant is an employee, or within three months after the Participant's termination as an employee; provided that, in the case of termination on account of disability (as defined in Section 22(e)(3) of the Code), the exercise period may be extended to one year; and further provided that the employment requirement is waived in the case of the participant's death.

VII. RESTRICTED STOCK

7.01 Administration. Shares of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the Eligible Employees to whom and the time or times at which grants of Restricted Stock will be made, the number of shares to be granted, the time or times within which such Awards may be subject to forfeiture or otherwise restricted and any other terms and conditions of the Awards. The restrictions may be based upon specified Performance Goals, the Participant's continued employment with the Corporation or its Affiliates or such other factors or criteria as the Committee shall determine. Subject to Sections 7.02 and 7.03 hereof the provisions of Restricted Stock Awards need not be the same with respect to each recipient.

7.02 Certificates. Each individual receiving a Restricted Stock Award shall be issued a certificate in respect of such shares of Restricted Stock which certificate shall be held in custody by the Corporation until the restrictions thereon shall have lapsed. In addition, each individual receiving a Restricted Stock Award shall, as a condition of any such Restricted Stock Award, have delivered to the Corporation a stock power, endorsed in blank, with respect to the Corporation Stock covered by such Award. Each certificate in respect of shares of Restricted Stock shall be registered in the name of the Participant to whom such Restricted Stock has been granted and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Brady Corporation 2004 Omnibus Incentive Stock Plan and a Restricted Stock Agreement. Copies of such Plan and Agreement are on file at the offices of the Brady Corporation."

In addition each certificate in respect of shares of Restricted Stock may bear such legends and statements as the Committee may deem advisable to assure compliance with the federal and state laws and regulations.

7.03 Terms and Conditions. Shares of Restricted Stock shall be subject to the following terms and conditions:

- (a) Until the applicable restrictions lapse, the Participant shall not be permitted to sell, assign, transfer, exchange, pledge, hypothecate or otherwise dispose of or encumber shares of Restricted Stock.
- (b) Unless and until a forfeiture of the Restricted Stock, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Corporation, including the right to vote the shares (if

applicable) and the right to receive any cash dividends. Unless otherwise determined by the Committee, cash dividends shall be automatically paid in cash and dividends payable in Corporation Stock shall be paid in the form of additional Restricted Stock.

- (c) Except to the extent otherwise provided in the applicable Restricted Stock Agreement and (d) below, all shares still subject to restriction shall be forfeited by the Participant upon termination of a Participant's employment for any reason.
- (d) In the event of hardship or other special circumstances of a Participant whose employment is involuntarily terminated (other than for cause), the Committee may waive in whole or in part any or all remaining restrictions with respect to such Participant's shares of Restricted Stock.
- (e) If and when the applicable restrictions lapse, unlegended certificates for such shares shall be delivered to the Participant.
- (f) Each Award shall be confirmed by, and be subject to the terms of, a Restricted Stock Agreement.

VIII. RESTRICTED STOCK UNITS

8.01 Administration. Restricted Stock Units may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the Eligible Employees to whom and the time or times at which grants of Restricted Stock Units will be made, the number of units to be granted, the time or times within which such Awards may be subject to forfeiture or otherwise restricted and any other terms and conditions of the Awards. The restrictions may be based upon specified Performance Goals, the Participant's continued employment with the Corporation or its Affiliates or such other factors or criteria as the Committee shall determine. The provisions of Restricted Stock Awards need not be the same with respect to each recipient.

8.02 Form and Timing of Payment of Restricted Stock Units. Timing of payment of earned Restricted Stock Units shall be determined by the Committee at its sole discretion. The Committee, in its sole discretion, may pay earned Restricted Stock Units in the form of cash or in shares of Corporation Stock (or in a combination thereof), which have an aggregate Fair Market Value equal to the value of the earned Restricted Stock Units.

IX. WITHHOLDING TAXES

9.01 General Rule. Pursuant to applicable federal and state laws, the Corporation is or may be required to collect withholding taxes upon the exercise of a Stock Option or the lapse of stock restrictions. The Corporation may require, as a condition to the exercise of a Stock Option or the issuance of a stock certificate, that the Participant concurrently pay to the Corporation

(either in cash or, at the request of Participant, but subject to such rules and regulations as the Committee may adopt from time to time, in shares of Delivered Stock) the entire amount or a portion of any taxes which the Corporation is required to withhold by reason of such exercise or lapse of restrictions, in such amount as the Committee or the Corporation in its discretion may determine. If and to the extent that withholding of any federal, state or local tax is required in connection with the exercise of an Option or the lapse of stock restrictions, the Participant may, subject to such rules and regulations as the Corporation may adopt from time to time, elect to have the Corporation hold back from the shares to be issued upon the exercise of the Stock Option or the lapse of stock restrictions, the number of shares of Corporation Stock having a Fair Market Value equal to such withholding obligation.

9.02 Special Rule for Insiders. Any such request or election (to satisfy a withholding obligation using shares) by an individual who is subject to the provisions of Section 16 of the Securities Exchange Act of 1934 (an "Insider") shall be made in accordance with the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

X. GENERAL

10.01 Nontransferability. No Award granted under the Plan shall be transferable or assignable (or made subject to any pledge, lien, obligation or liability of a Participant) except by last will and testament or the laws of descent and distribution. Upon a transfer or assignment pursuant to a Participant's last will and testament or the laws of descent and distribution, any Stock Option must be transferred in accordance therewith. During the Participant's lifetime, Stock Options shall be exercisable only by the Participant or by the Participant's guardian or legal representative. Notwithstanding the foregoing, NSOs may be transferred by a Participant to the Participant's spouse, children or grandchildren or to a trust for the benefit of such spouse, children or grandchildren; provided that the terms of any such transfer prohibit the resale of shares acquired upon exercise of the option at a time during which the transferor would not be permitted to sell such shares under the Corporation's policy on trading by insiders.

10.02 General Restriction. Each Award shall be subject to the requirement that if at any time the Board or the Committee shall determine, in its discretion, that the listing, registration, or qualification of securities upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Stock Option or the issue or purchase of securities thereunder, such Stock Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board or the Committee. The Committee shall have the right to rely on an opinion of its counsel as to whether any such listing, registration, qualification, consent or approval shall have been effected or obtained.

10.03 Effect of Termination of Employment, Disability or Death. Except as otherwise provided by the Committee upon any Award, all rights under any Stock Option granted to a Participant shall terminate and any Restricted Stock or Restricted Stock Unit granted to a Participant shall be forfeited on the date such Participant ceases to be employed by the Corporation or its subsidiaries, except that

- (a) if the Participant's employment is terminated by the death of the Participant, any unexercised, unexpired Stock Options granted hereunder to the Participant shall be 100% vested and fully exercisable, in whole or in part, at any time within one year after the date of death, by the Participant's personal representative or by the person to whom the Stock Options are transferred under the Participant's last will and testament or the applicable laws of descent and distribution;
- (b) if the Participant dies within 90 days after termination of employment by the Corporation or its Affiliates, other than for cause, any unexercised, unexpired Stock Options granted hereunder to the Participant and exercisable as of the date of such termination of employment shall be exercisable, in whole or in part, at any time within one year after the date of death, by the Participant's personal representative or by the person to whom the Stock Options are transferred under the Participant's last will and testament or the applicable laws of descent and distribution;
- (c) if the Participant's employment is terminated as a result of the disability of the Participant (a disability means that the Participant is disabled as a result of sickness or injury, such that he or she is unable to satisfactorily perform the material duties of his or her job, as determined by the Board of Directors, on the basis of medical evidence satisfactory to it), any unexercised, unexpired Stock Options granted hereunder to the Participant shall become 100% vested and fully exercisable, in whole or in part, at any time within one year after the date of disability;
- (d) if the Participant's employment is terminated as a result of the Participant's retirement (after age 55 with ten years of employment with the Corporation or an Affiliate or after age 65), any unexercised, unexpired Stock Options granted hereunder to the Participant and exercisable as of the date of such retirement may be exercised by the Participant at any time within one year after the date of retirement; and
- (e) if the Participant's employment is terminated by the Company or an Affiliate for any reason other than the Participant's death, disability or retirement of the Participant or for cause, any unexercised, unexpired Stock Options granted hereunder and exercisable as of the date of such termination of employment shall be exercisable in whole or in part at any time within 90 days after such date of termination.

If a Participant's employment is terminated for cause (as determined by the Committee in its sole discretion), all of the Participant's unexercised Stock Options shall expire and all of the Participant's Restricted Stock and Restricted Stock Units shall be forfeited. Notwithstanding the foregoing, no Stock Option shall be exercisable after the date of expiration of its term.

10.04 Merger, Consolidation or Reorganization. In the event of (a) the merger or consolidation of the Corporation with or into another corporation or corporations in which the Corporation is not the surviving corporation, (b) the adoption of any plan for the dissolution of

the Corporation, or (c) the sale or exchange of all or substantially all the assets of the Corporation for cash or for shares of stock or other securities of another corporation, all then-unexercised Stock Options shall become fully exercisable, and all restrictions imposed on any then-Restricted Stock shall terminate (such that any Restricted Stock shall become fully transferable) immediately prior to any such merger or consolidation in which the Corporation is not the surviving corporation. Notwithstanding the foregoing, in the case of then-unexercised Stock Options held by persons subject to the reporting requirements of Section 16(a) of the 1934 Act, the Committee may elect to cancel any then-unexercised Stock Option. If any Stock Option is canceled, the Corporation, or the corporation assuming the obligations of the Corporation hereunder, shall pay the Participant an amount of cash or stock, as determined by the Committee, equal to the Fair Market Value per share of the Corporation Stock immediately preceding such cancellation over the option price, multiplied by the number of shares subject to such cancelled Stock Option.

10.05 Expiration and Termination of the Plan. This Plan shall remain in effect until all of the Awards made under the Plan have been exercised, the restrictions thereon have lapsed or the Awards have expired, terminated, or been canceled or forfeited. Notwithstanding the foregoing, no Awards shall be granted under the Plan, after that date which is ten years after the Plan is approved by the Board; or such earlier date as the Board determines in its sole discretion.

10.06 Amendments. The Board may from time to time amend, modify, suspend or terminate the Plan; provided, however, that no such action shall (a) impair without the Participant's consent any Award theretofore granted under the Plan or deprive any Participant of any shares of Corporation Stock which he may have acquired through or as a result of the Plan or (b) be made without shareholder approval where such approval would be required as a condition of compliance with Rule 16b-3.

10.07 Wisconsin Law. Except as otherwise required by applicable federal laws, the Plan shall be governed by, and construed in accordance with, the laws of the State of Wisconsin.

10.08 Unfunded Plan. The Plan, insofar as it provides for Awards, shall be unfunded and the Corporation shall not be required to segregate any assets that may at any time be represented by Awards under this Plan. Any liability of the Corporation to any Person with respect to any Award under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Corporation shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Corporation.

10.09 Rules of Construction. Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

10.10 Gender and Number. Except when otherwise required by the context, words in the masculine gender shall include the feminine, the singular shall include the plural, and the plural the singular.

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

I, Frank M. Jaehnert, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: June 7, 2007

/s/ FRANK M. JAEHNERT

Frank M. Jaehnert

President and Chief Executive Officer

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

I, David Mathieson, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Brady Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 7, 2007

/s/ DAVID MATHIESON
David Mathieson

Senior Vice President and Chief Financial Officer

SECTION 1350 CERTIFICATION

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

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: June 7, 2007

/s/ FRANK M. JAEHNERT

Frank M. Jaehnert

President and Chief Executive Officer

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

SECTION 1350 CERTIFICATION

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

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: June 7, 2007

/s/ DAVID MATHIESON

David Mathieson

Senior Vice President and Chief Financial Officer

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