
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): November 30, 2006

BRADY CORPORATION

(Exact name of registrant as specified in its charter)

Commission File Number 1-14959

Wisconsin
(State of Incorporation)

39-0971239
(IRS Employer Identification No.)

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

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

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS

(d) On November 30, 2006, the holders of the Class B Common Stock of Brady Corporation (the “Corporation”) approved a revised version of the Brady Corporation 2005 Nonqualified Stock Option Plan for Non-Employee Directors (the “Revised 2005 Plan”). The Revised 2005 Plan, which became effective upon shareholder approval, was adopted to implement two changes. First, pursuant to the Revised 2005 Plan, stock options will be granted to non-employee directors of the Corporation 14 days after first becoming a director and, thereafter, 14 days after each subsequent annual meeting at which the director is re-elected to the Board of Directors. The prior version of the plan had provided that stock options were to be granted upon the initial date of election and on each annual meeting date thereafter. Second, the Revised 2005 Plan provides that if a non-employee director’s service on the Board is terminated for other than death or disability, any unexercised, unexpired options will continue to vest and may be exercised according to the regular vesting and exercise schedules. The prior version of the plan had provided that such options would become 100% vested upon termination and would be fully exercisable at any time within one year following such termination. The foregoing description of the Revised 2005 Plan does not purport to be complete and is qualified in its entirety by reference to the full text of the Revised 2005 Plan, a copy of which is filed herewith as Exhibit 10.1 and is incorporated herein by reference.

The Corporation is also filing herewith and is incorporating herein by reference as Exhibit 10.2 a revised form of granting agreement that will be used for stock option grants made to non-employee directors under the Revised 2005 Plan and as Exhibit 10.3 a revised form of granting agreement that will be used for stock option grants made to employees under the Corporation’s other incentive stock plans.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

The following are filed as Exhibits to this Report.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1	Brady Corporation 2005 Nonqualified Stock Option Plan for Non-Employee Directors, as amended.
10.2	Brady Corporation Director Nonqualified Stock Option Agreement, as amended.
10.3	Brady Corporation Nonqualified Stock Option Agreement, as amended.

SIGNATURE

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

BRADY CORPORATION

Date: December 4, 2006

/s/ David Mathieson

David Mathieson
Vice President &
Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
10.1	Brady Corporation 2005 Nonqualified Stock Option Plan for Non-Employee Directors, as amended.
10.2	Brady Corporation Director Nonqualified Stock Option Agreement, as amended.
10.3	Brady Corporation Nonqualified Stock Option Agreement, as amended.

BRADY CORPORATION
2005 NONQUALIFIED STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS

1. Purpose.

The 2005 Stock Option Plan for Non-Employee Directors (the “Plan”) is intended to attract and retain the services of experienced and knowledgeable non-employee directors of Brady Corporation (the “Corporation”) for the benefit of the Corporation and its shareholders and to provide additional incentive for such directors to continue to work for the best interest of the Corporation and its shareholders.

2. Shares Subject to the Plan.

There are reserved for issuance upon the exercise of options granted under the Plan 300,000 Class A Non-Voting Common Shares \$.01 par value, of the Corporation (the “Stock”). Such Stock may be authorized and unissued Stock or previously outstanding Stock then held in the Corporation’s treasury. If any option granted under the Plan shall expire or terminate for any reason without having been exercised in full, the Stock subject to the unexercised portion thereof shall again be available for the purposes of issuance upon the exercise of options granted under the Plan.

3. Administration.

The Plan shall be administered by the Board of Directors of the Corporation (the “Board”), which may delegate any or all of its authority to a Committee of the Board. Subject to the express provisions of the Plan, the Board shall have authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the option grants and agreements (which shall comply with and be subject to the terms and conditions of the Plan) and to make all other determinations necessary or advisable for the administration of the Plan. The Board’s determination of the matters referred to in this Paragraph 3 shall be conclusive.

4. Eligibility.

For purposes of the Plan, “Non-Employee Director” means a member of the Board who is not an employee of the Corporation or a subsidiary of the Corporation. After the effective date of the Plan, each Non-Employee Director who first becomes a Director on an annual meeting date after July 26, 2005 shall automatically be granted an option to purchase 10,000 shares of Stock on a date that is 14 days after the annual meeting date, or if such person first becomes a Director on a date other than the annual meeting date, the option shall automatically be granted on a date that is 14 days after first becoming a Director. On a date that is 14 days after each subsequent annual meeting of the shareholders of the Corporation on or subsequent to the effective date of the Plan, each Non-Employee Director who will continue to serve as an Non-Employee Director after such annual meeting shall automatically be granted an option to purchase 6,000 shares of Stock.

Only non-statutory stock options shall be granted under the Plan.

5. Option Grants.

(a) The purchase price of the Stock under each option granted under the Plan shall be 100% of

the Fair Market Value of the Stock on the date such option is granted. For purposes of the Plan “Fair Market Value” on any date shall mean, with respect to 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 the 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 Stock on the relevant date.

(b) All options shall be exercisable in accordance with the following schedule:

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

The term of each option shall be ten years from the date of grant, or such shorter period as is prescribed in Paragraphs 5(c) and 5(d). Except as provided in Paragraphs 5(c) and 5(d), no option may be exercised at any time unless the holder is then a director of the Corporation.

Upon exercise, the option price is to be paid in full in cash or, at the discretion of the Board, in Stock owned by the optionee having a Fair Market Value on the date of exercise equal to the aggregate option price or, at the discretion of the Board, in a combination of cash and Stock.

(c) All rights under any option shall terminate on the date such Participant ceases to be a Director of the Corporation, except that (a) if the Directorship is terminated by the death of the Director, any unexercised, unexpired Stock Options granted hereunder to the Director 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 Director’s personal representative or by the person to whom the options are transferred under the Director’s last will and testament or the applicable laws of descent and distribution; (b) if the Directorship is terminated as a result of the disability of the Director (a disability means that the Director is disabled as a result of sickness or injury, such that he or she is unable satisfactorily to perform the Director duties, as determined by the Board of Directors, on the basis of medical evidence satisfactory to it), any unexercised, unexpired options granted hereunder to the Director shall become 100% vested and fully exercisable, in whole or in part, at any time within one year after the date of disability; (c) if the Directorship is terminated and the Director has been a member of the Board of Directors for at least three years, any unexercised, unexpired options granted hereunder to the Director shall continue to vest as provided in Paragraph 5(b) and any option that is or becomes vested may be exercised within the term of such option; and (d) if the Directorship is terminated for any reason other than (a), (b) or (c) above, any unexercised, unexpired options granted hereunder and exercisable as of the date of such termination shall be exercisable in whole or in part at any time within 90 days after such date of termination.

(d) In the event of (a) a merger, consolidation, or reorganization with another corporation in which the Corporation is not the surviving corporation or a merger, consolidation or reorganization with another corporation in which the Corporation is the surviving corporation, but the Stock ceases to be publicly traded, (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 options shall become fully exercisable immediately prior to any such event.

(e) Nothing in the Plan or in any option granted pursuant to the Plan shall confer on any individual any right to continue as a director of the Corporation.

6. Transferability and Shareholder Rights of Holders of Options.

No options granted under the Plan shall be transferable otherwise than by will or by the laws of descent and distribution, and an option may be exercised, during the lifetime of an optionee, only by the optionee or optionee's guardian or legal representative. An optionee shall have none of the rights of a shareholder of the Corporation until the option has been exercised and the Stock subject to the option has been registered in the name of the optionee on the transfer books of the Corporation.

7. Adjustments upon Changes in Capitalization.

Notwithstanding any other provisions of the Plan, the number and class of shares subject to the options and the option prices of options covered thereby shall be proportionately adjusted in the event of changes in the outstanding Stock by reason of stock dividends, stock splits, recapitalizations, mergers, consolidations, combinations or exchanges of shares, split-ups, split-offs, spin-offs, liquidations or other similar changes in capitalization, or any distribution to common shareholders other than cash dividends and, in the event of any such change in the outstanding Stock, the aggregate number and class of shares available under the Plan and the number of shares as to which options may be granted shall be appropriately adjusted by the Board.

8. Amendment and Termination.

Unless the Plan shall theretofore have been terminated as hereinafter provided, the Plan shall terminate on, and no awards of options shall be made after, the tenth anniversary of the effective date of the Plan; provided, however, that such termination shall have no effect on options granted prior thereto. The Plan may be terminated, modified or amended by the shareholders of the Corporation. The Board may also terminate the Plan or modify or amend the Plan in such respects as it shall deem advisable in order to conform to any change in any law or regulation applicable thereto, or in other respects which shall not change (i) the total number of shares of Stock as to which options may be granted, (ii) the class of persons eligible to receive options under the Plan, (iii) the manner of determining the option prices, (iv) the period during which options may be granted or exercised or (v) the provisions relating to the administration of the Plan by the Board.

9. Withholding.

Upon the issuance of Stock as a result of the exercise of an option, the Corporation shall have the right to retain or sell without notice sufficient Stock to cover the amount of any tax required by any government to be withheld or otherwise deducted and paid with respect to such Stock being issued, remitting any balance to the optionee; provided, however, that the optionee shall have the right to provide the Corporation with the funds to enable it to pay such tax.

10. Effectiveness of the Plan.

The Plan shall become effective on the day following the date the Plan is approved by the vote of the holders of a majority of the outstanding shares of the Corporation's Class B Voting Common Stock. The Board may in its discretion authorize the granting of options which shall be expressly subject to the conditions that (i) the Stock reserved for issue under the Plan shall have been duly listed, upon official notice of issuance, upon each stock exchange in the United States upon which the Stock is traded and (ii) a registration statement under the Securities Act of 1933 with respect to such shares shall have become effective.

BRADY CORPORATION
DIRECTOR NONQUALIFIED STOCK OPTION AGREEMENT

Option granted on _____, 20____, by Brady Corporation, a Wisconsin corporation (hereinafter called the "Company"), to _____ (hereinafter called the "Director").

W I T N E S S E T H :

WHEREAS, the Board of Directors of the Company, desiring to attract and retain the services of experienced directors and to provide additional incentive for such directors to continue to work for the best interest of the Company and its shareholders, adopted the Brady Corporation 2005 Nonqualified Stock Option Plan for Non-Employee Directors on November 17, 2005 ("the Plan");

NOW, THEREFORE, it is agreed as follows:

1. Number of Shares Optioned; Option Price. The Company grants to the Director the right and option to purchase, on the terms and conditions hereof, all or any part of an aggregate of _____ (____) shares of the presently authorized Class A Common Stock of the Company, \$.01 par value, whether unissued or issued and reacquired by the Company, at the price of _____ (\$____) per share (the "Option Price").

2. Conditions of Exercise of Options During Director's Lifetime; Vesting of Option. Except as provided hereinafter in this paragraph and in paragraph 3, this Option may not be exercised (a) unless Director is at the date of the exercise a Director of the Company and (b) until Director shall have been continuously a Director for a period of at least one year from the date hereof. Thereafter, this Option shall be exercisable for any amount of shares up to the maximum percentage of shares covered by this Option (rounded up to the nearest whole share) as follows (but in no event shall this Option be exercisable for any shares after the expiration date provided in paragraph 7):

Number of Completed Years After Date of Grant of this Option	Maximum Percentage of Shares for Which Option is Exercisable
Less than 1	Zero
At least 1 but less than 2	33-1/3%
At least 2 but less than 3	66-2/3%
At least 3	100%

If Director shall cease to be a Director of the Company for any reason (except death or disability, or if the Director has been a member of the Board of Directors for at least three years) after Director shall have been continuously a Director for one year after the grant of this Option, Director may, at any time within three months of such termination, but in no event later than the date of expiration of this Option, exercise this Option to the extent Director was entitled to do so

on the date of such termination. This Agreement does not confer upon Director any right to continue as a Director of the Company.

3. Termination of Employment, Etc. A. Notwithstanding the provisions of paragraph 2 hereof, in the event of the termination of the Directorship with the Company prior to [three years from date of grant], due to death or disability, this Option shall become 100% vested and fully exercisable.

For purposes of this Agreement, “Disability” means that the Director is disabled as a result of sickness or injury, such that he is unable satisfactorily to perform the Director’s duties as determined by the Board of Directors, on the basis of medical evidence satisfactory to it.

B. (i) If the Directorship is terminated by the death of the Director, any unexercised, unexpired Stock Options granted hereunder to the Director shall be exercisable, in whole or in part, at any time within one year after the date of death, by the Director’s personal representative or by the person to whom the Stock Options are transferred under the Director’s last will and testament or the applicable laws of descent and distribution. (ii) If the Directorship is terminated as a result of the disability of the Director, any unexercised, unexpired Stock Options granted hereunder to the Director shall be exercisable, in whole or in part, at any time within one year after the date of disability. (iii) If the Directorship is terminated after the Director has been a member of the Board for at least three years, any unexercised, unexpired Stock Options granted hereunder to the Director shall continue to vest as provided in paragraph 2 and any option that is or becomes vested may be exercised within the term of such option be exercisable, in whole or in part, at any time within one year after the date of termination.

C. 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, this Option shall become fully vested and exercisable immediately prior to any such event in which the Company is not the surviving corporation.

4. Deferral of Exercise. Although the Company intends to exert its best efforts so that the shares purchasable upon the exercise of this Option 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 at the time or times this Option (or any portion of this Option) first becomes exercisable, if the exercise of this 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.

5. Method of Exercising Option. This Option shall be exercised by delivering to the Company, at the office of its Treasurer, a written notice of the number of shares with respect to which this Option is at the time being exercised and by paying the Company in full the Option Price of the shares being acquired at the time.

6. Method of Payment. Payment shall be made either (i) in cash or (ii) by delivering shares of the Company's Class A Common Stock which have been beneficially owned by the Director, the spouse of the Director, or both of them, for a period of at least six months prior to the time of exercise ("Delivered Stock") or (iii) by delivering a combination of cash and Delivered Stock. Payment in the form of Delivered Stock shall be in the amount of the Fair Market Value of the stock at the date of exercise, determined in accordance with paragraph 9.

7. Expiration Date. This Option shall expire ten years after the date on which this Option was granted.

8. Withholding Taxes. The Company may require payment of or withhold any tax which it believes is payable as a result of the exercise of this Option, and the Company may defer making delivery with respect to the shares until arrangements satisfactory to the Company have been made with regard to any such withholding obligations. In lieu of part or all of any such payment, the Director, in satisfaction of all withholding taxes (including, without limitation, Federal income, FICA (Social Security and Medicare) and any state and local income taxes) payable as a result of such exercise, may elect, subject to such rules and regulations as the Company may adopt from time to time, to have the Company withhold that number of shares (valued at Fair Market Value on the date of exercise and rounded upward) required to settle such withholding taxes.

9. Method of Valuation of Stock. The "Fair Market Value" of the Class A Common Stock of the Company on any date shall mean, 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 shares 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.

10. No Rights in Shares Until Certificates Issued. Neither the Director nor his heirs nor his personal representative shall have any of the rights or privileges of a stockholder of the Company in respect of any of the shares issuable upon the exercise of the Option herein granted, unless and until certificates representing such shares shall have been issued.

11. Option Not Transferable During Director's Lifetime. This Option shall not be transferable by the Director other than by his will or by the laws of descent and distribution and shall be exercisable during his lifetime only by him.

12. Prohibition Against Pledge, Attachment, Etc. Except as otherwise herein provided, the Option herein granted and the rights and privileges pertaining thereto shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.

13. Changes in Stock. In the event there are any changes in the Class A Common Stock of the Company through merger, consolidation, reorganization, recapitalization, stock

dividend, stock split, combination or exchange of shares, rights offering or any other change affecting the Class A Common Stock of the Company, appropriate changes shall be made by the Board of Directors of the Company, in the aggregate number of shares and the purchase price and kind of shares subject to this Option, to prevent substantial dilution or enlargement of the rights granted to or available for Director.

14. 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 the termination of this Option, the Director shall have the right immediately prior to the effective date of such dissolution, liquidation or merger, to surrender all or any unexercised portion of this Option to the Company for cash, subject to the discretion of the Board of Directors as to the exact timing of said surrender. Notwithstanding the foregoing, however, in the event Director has retired or died, Director's right to surrender all or any unexercised portion of this Option under this paragraph shall be available only to the extent that at the time of any such surrender, Director would have been entitled to exercise this Option under paragraphs 2 or 3 hereof, as the case may be. The amount of cash to be paid to Director for the portion of this Option so surrendered, shall be equal to the number of shares of Class A Common Stock subject to the surrendered Option multiplied by the difference between the Option Price per share, as described in paragraph 1 hereof, and the Fair Market Value per share, determined in accordance with paragraph 9 hereof, as of the time of surrender.

15. Notices. Any notice to be given to the Company under the terms of this Agreement shall be addressed to the Company in care of its Vice President and Chief Financial Officer, and any notice to be given to the Director may be addressed at the address as it appears on the Company's records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be deemed to have been duly given if and when enclosed in a properly sealed envelope addressed as aforesaid, and deposited, postage prepaid, in the United States mail.

16. Provisions of Plan Controlling. This Option is subject in all respects to the provisions of the Plan. In the event of any conflict between any provisions of this Option and the provisions of the Plan, the provisions of the Plan shall control. Terms defined in the Plan where used herein shall have the meanings as so defined. Director acknowledges receipt of a copy of the Plan.

17. Wisconsin Contract. This Option has been granted in Wisconsin and shall be construed under the laws of that state.

IN WITNESS WHEREOF, the Company has caused these presents to be executed on its behalf by its President and to be sealed with its corporate seal, and attested by its Secretary and the Director has hereunto set his hand and seal, all as of the day and year first above written, which is the date of the granting of this Option evidenced hereby.

BRADY CORPORATION

By: _____
President

By: _____
Compensation Committee

Attest: _____
Secretary

DIRECTOR:

BRADY CORPORATION
NONQUALIFIED STOCK OPTION AGREEMENT

Option granted on _____, 20____, by Brady Corporation, a Wisconsin corporation (the "Corporation"), to _____ (the "Employee").

WITNESSETH:

WHEREAS, the Board of Directors of the Corporation, desiring to provide increased long-term incentives for key salaried employees of the Corporation and any present or future Subsidiary of the Corporation and desiring to facilitate the efforts of the Corporation and its Subsidiaries to obtain and retain employees of outstanding ability, adopted the Brady Corporation _____ Omnibus Incentive Stock Plan on _____ ("the Plan");

NOW, THEREFORE, it is agreed as follows:

1. Number of Shares Optioned; Option Price

The Corporation grants to the Employee the right and option to purchase, on the terms and conditions hereof, all or any part of an aggregate of _____ (____) shares of the presently authorized Class A Common Stock of the Corporation, \$.01 par value, whether unissued or issued and reacquired by the Corporation, at the price of \$____.____ per share (the "Option Price").

2. Conditions of Exercise of Options During Employee's Lifetime; Vesting of Option

Except as provided hereinafter in this paragraph and in paragraph 3, this Option may not be exercised (a) unless Employee is at the date of the exercise in the employ of the Corporation or a Subsidiary, and (b) until Employee shall have been continuously so employed for a period of at least one year from the date hereof. Thereafter, this Option shall be exercisable for any amount of shares up to the maximum percentage of shares covered by this Option (rounded up to the nearest whole share), as follows (but in no event shall this Option be exercisable for any shares after the expiration date provided in paragraph 7):

Number of Completed Years After Date of Grant of this Option	Maximum Percentage of Shares For Which Option is Exercisable
Less than 1	Zero
At least 1 but less than 2	33-1/3%
At least 2 but less than 3	66-2/3%
At least 3	100%

If Employee shall cease to be employed by the Corporation or a Subsidiary for any reason other than as provided in paragraph 3 after Employee shall have been continuously so employed for one year after the grant of this Option, Employee may, at any time within 90 days of such termination, but in no event later than the date of expiration of this Option, exercise this Option to the extent Employee was entitled to do so on the date of such termination. However, if Employee was dismissed for cause, of which the Compensation Committee of the Board of Directors of the Corporation (the "Committee") shall be the sole judge, this Option shall forthwith expire. This Agreement does not confer upon Employee any right of continuation of employment by the Corporation or a Subsidiary, nor does it impair any right the Corporation or any Subsidiary may have to terminate the Employee's employment at any time.

3. Termination of Employment

Notwithstanding the provisions of paragraph 2 hereof, if the Employee:

- (a) is terminated by the death of the Employee, any unexercised, unexpired Stock Options granted hereunder to the Employee 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 Employee's personal representative or by the person to whom the Stock Options are transferred under the Employee's last will and testament or the applicable laws of descent and distribution;
- (b) 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 Employee 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 Employee's personal representative or by the person to whom the Stock Options are transferred under the Employee's last will and testament or the applicable laws of descent and distribution;
- (c) is terminated as a result of the disability of the Employee (a disability means that the Employee 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 Employee shall become 100% vested and fully exercisable, in whole or in part, at any time within one year after the date of disability; or
- (d) is terminated as a result of the Employee'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 Employee shall continue to vest as provided in paragraph 2 hereof and any option that is or becomes vested may be exercised within the term of such option.

4. Deferral of Exercise

Although the Corporation intends to exert its best efforts so that the shares purchasable upon the exercise of this Option will be registered under, or exempt from, the registration requirements of, the Securities Act of 1933 (the "Act") and any applicable state securities law at the time or times this Option (or any portion of this Option) first becomes exercisable, if the exercise of this Option would otherwise result in a violation by the Corporation of any provision of the Act or of any state securities law, the Corporation may require that such exercise be deferred until the Corporation has taken appropriate action to avoid any such violation.

5. Method of Exercising Option

This Option shall be exercised by delivering to the Corporation, at the office of its Treasurer, a written notice of the number of shares with respect to which this Option is at the time being exercised and by paying the Corporation in full the Option Price of the shares being acquired at the time.

6. Method of Payment

Payment shall be made either (i) in cash; (ii) by delivering shares of the Corporation's Class A Common Stock which have been beneficially owned by the Employee, the spouse of the Employee, or both of them, for a period of at least six months prior to the time of exercise ("Delivered Stock"); or (iii) by delivering a combination of cash and Delivered Stock. Payment in the form of Delivered Stock shall be in the amount of the Fair Market Value of the stock at the date of exercise, determined in accordance with paragraph 9.

7. Expiration Date

This Option shall expire ten years after the date on which this Option was granted.

8. Withholding Taxes

The Corporation may require, as a condition to the exercise of this Option, that the Employee concurrently pay to the Corporation any taxes which the Corporation is required to withhold by reason of such exercise. In lieu of part or all of any such payment, the Employee may elect, subject to such rules and regulations as the Committee may adopt from time to time, to have the Corporation withhold from the shares to be issued upon exercise that number of shares having a Fair Market Value, determined in accordance with paragraph 9, equal to the amount which the Corporation is required to withhold.

9. Method of Valuation of Stock

The "Fair Market Value" of the Class A Common Stock of the Corporation on any date shall mean, 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 sales price recorded in composite transactions for such date or, if such date is not a business day or if no sales of shares 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.

10. No Rights in Shares Until Certificates Issued

Neither the Employee nor his heirs nor his personal representative shall have any of the rights or privileges of a stockholder of the Corporation in respect of any of the shares issuable upon the exercise of the Option herein granted, unless and until certificates representing such shares shall have been issued.

11. Option Not Transferable

No portion of the Option granted hereunder shall be transferable or assignable (or made subject to any pledge, lien, obligation or liability of an Employee) except (a) by last will and testament or the laws of descent and distribution (and upon a transfer or assignment pursuant to an Employee's last will and testament or the laws of descent and distribution, any Option must be transferred in accordance therewith); (b) during the Employee's lifetime, nonqualified stock Options may be transferred by an Employee to the Employee'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.

12. Prohibition Against Pledge, Attachment, Etc.

Except as otherwise herein provided, the Option herein granted and the rights and privileges pertaining thereto shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.

13. Changes in Stock

In the event there are any changes in the Class A Common Stock of the Corporation through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination or exchange of shares, rights offering or any other change affecting the Class A Common Stock of the Corporation, appropriate changes may be made by the Committee, subject to approval of the Board of Directors of the Corporation, in the aggregate number of shares and the purchase price and kind of shares subject to this Option, to prevent substantial dilution or enlargement of the rights granted to or available for Employee.

14. Dissolution or Merger

Anything contained herein to the contrary notwithstanding, upon the dissolution or liquidation of the Corporation, or upon any merger in which the Corporation is not the surviving corporation, at any time prior to the expiration date of the termination of this Option, the Employee shall have the right within 60 days prior to the effective date of such dissolution, liquidation or merger, to surrender all or any unexercised portion of this Option to the Corporation for cash, subject to the discretion of the Committee as to the exact timing of said surrender. Notwithstanding the foregoing, however, in the event Employee has retired or died, Employee's right to surrender all or any unexercised portion of this Option under this paragraph shall be available only to the extent that at the time of any such surrender, Employee would have been entitled to exercise this Option under paragraphs 2 or 3 hereof, as the case may be. The amount of cash to be paid to Employee for the portion of this Option so surrendered, shall be equal to the number of shares of Class A Common Stock subject to the surrendered Option multiplied by the difference between the Option Price per share, as described in paragraph 1 hereof, and the Fair Market Value per share, determined in accordance with paragraph 9 hereof, as of the time of surrender.

15. Notices

Any notice to be given to the Corporation under the terms of this Agreement shall be addressed to the Corporation in care of its Vice President and Chief Financial Officer, and any notice to be given to the Employee may be addressed at the address as it appears on the Corporation's records, or at such other address as either party may hereafter designate in writing to the other. Except as provided in paragraph 5 hereof, any such notice shall be deemed to have been duly given, if and when enclosed in a properly sealed envelope addressed as aforesaid, and deposited, postage prepaid, in the United States mail.

16. Provisions of Plan Controlling

This Option is subject in all respects to the provisions of the Plan. In the event of any conflict between any provisions of this Option and the provisions of the Plan, the provisions of the Plan shall control. Terms defined in the Plan where used herein shall have the meanings as so defined. Employee acknowledges receipt of a copy of the Plan.

17. Wisconsin Contract

This Option has been granted in Wisconsin and shall be construed under the laws of that state.

IN WITNESS WHEREOF, the Corporation has caused these presents to be executed on its behalf by its President and to be sealed with its corporate seal, and attested by the Secretary and the Employee has hereunto set his hand and seal, all as of the day and year first above written, which is the date of the granting of this Option evidenced hereby.

BRADY CORPORATION

By: _____
President and Chief Executive Officer

By: _____
Chairman, Compensation Committee

By: _____
Secretary

EMPLOYEE:

Employee Name (Country)