
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, 2011

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

As of May 31, 2011, there were outstanding 49,278,752 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.

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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, 2011</u>	<u>July 31, 2010</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 373,978	\$ 314,840
Accounts receivable — net	235,634	221,621
Inventories:		
Finished products	59,727	52,906
Work-in-process	14,741	13,146
Raw materials and supplies	28,034	28,620
Total inventories	102,502	94,672
Prepaid expenses and other current assets	39,614	37,839
Total current assets	751,728	668,972
Other assets:		
Goodwill	799,395	768,600
Other intangible assets	96,386	103,546
Deferred income taxes	52,744	39,103
Other	19,633	20,808
Property, plant and equipment:		
Cost:		
Land	6,416	6,265
Buildings and improvements	103,060	101,138
Machinery and equipment	302,017	289,727
Construction in progress	13,601	9,873
	425,094	407,003
Less accumulated depreciation	284,334	261,501
Property, plant and equipment — net	140,760	145,502
Total	\$ 1,860,646	\$ 1,746,531
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current liabilities:		
Accounts payable	\$ 90,621	\$ 96,702
Wages and amounts withheld from employees	67,316	67,285
Taxes, other than income taxes	9,061	7,537
Accrued income taxes	17,399	10,138
Other current liabilities	65,300	50,862
Current maturities on long-term obligations	61,264	61,264
Total current liabilities	310,961	293,788
Long-term obligations, less current maturities	351,789	382,940
Other liabilities	65,741	64,776
Total liabilities	728,491	741,504
Stockholders' investment:		
Class A nonvoting common stock — Issued 51,261,487 and 51,261,487 shares, respectively and outstanding 49,226,952 and 48,875,716 shares, respectively	513	513
Class B voting common stock — Issued and outstanding 3,538,628 shares	35	35
Additional paid-in capital	308,908	304,205
Earnings retained in the business	769,081	718,512
Treasury stock — 1,724,535 and 2,175,771 shares, respectively, of Class A nonvoting common stock, at cost	(51,959)	(66,314)
Accumulated other comprehensive income	109,840	50,905
Other	(4,263)	(2,829)
Total stockholders' investment	1,132,155	1,005,027
Total	\$ 1,860,646	\$ 1,746,531

See Notes to Condensed Consolidated Financial Statements.

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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)		
	2011	2010	Percentage Change	2011	2010	Percentage Change
Net sales	\$ 337,896	\$ 321,887	4.9%	\$ 996,493	\$ 936,202	6.4%
Cost of products sold	<u>170,258</u>	<u>161,690</u>	5.3%	<u>505,333</u>	<u>471,644</u>	7.1%
Gross margin	167,638	160,197	4.6%	491,160	464,558	5.7%
Operating expenses:						
Research and development	10,550	10,709	(1.5%)	32,226	30,950	4.1%
Selling, general and administrative	115,006	111,227	3.4%	332,394	328,638	1.1%
Restructuring charge — (See Note J)	<u>1,211</u>	<u>2,347</u>	(48.4%)	<u>6,986</u>	<u>9,597</u>	(27.2%)
Total operating expenses	126,767	124,283	2.0%	371,606	369,185	0.7%
Operating income	40,871	35,914	13.8%	119,554	95,373	25.4%
Other income (expense):						
Investment and other income — net	1,428	121	1080.2%	2,892	1,273	127.2%
Interest expense	<u>(5,103)</u>	<u>(5,147)</u>	(0.9%)	<u>(16,640)</u>	<u>(15,472)</u>	7.5%
Income before income taxes	37,196	30,888	20.4%	105,806	81,174	30.3%
Income taxes	<u>8,607</u>	<u>7,193</u>	19.7%	<u>26,737</u>	<u>20,810</u>	28.5%
Net income	<u>\$ 28,589</u>	<u>\$ 23,695</u>	20.7%	<u>\$ 79,069</u>	<u>\$ 60,364</u>	31.0%
Per Class A Nonvoting Common Share:						
Basic net income	\$ 0.54	\$ 0.45	20.0%	\$ 1.50	\$ 1.15	30.4%
Diluted net income	\$ 0.54	\$ 0.45	20.0%	\$ 1.49	\$ 1.14	30.7%
Dividends	\$ 0.18	\$ 0.175	2.9%	\$ 0.54	\$ 0.525	2.9%
Per Class B Voting Common Share:						
Basic net income	\$ 0.54	\$ 0.45	20.0%	\$ 1.48	\$ 1.13	31.0%
Diluted net income	\$ 0.54	\$ 0.45	20.0%	\$ 1.47	\$ 1.12	31.3%
Dividends	\$ 0.18	\$ 0.175	2.9%	\$ 0.523	\$ 0.508	3.0%
Weighted average common shares outstanding (in thousands):						
Basic	52,701	52,427		52,581	52,378	
Diluted	53,337	52,873		53,067	52,971	

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)	
	2011	2010
Operating activities:		
Net income	\$ 79,069	\$ 60,364
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37,522	40,276
Non-cash portion of restructuring charges	2,155	1,455
Non-cash portion of stock-based compensation expense	9,396	7,574
Gain on the divestiture of business	(4,394)	—
Deferred income taxes	(9,018)	(4,582)
Changes in operating assets and liabilities (net of effects of business acquisitions/divestitures):		
Accounts receivable	211	(17,192)
Inventories	(1,491)	3,887
Prepaid expenses and other assets	772	(5,273)
Accounts payable and accrued liabilities	(8,355)	31,493
Income taxes	4,579	152
Net cash provided by operating activities	110,446	118,154
Investing activities:		
Acquisition of businesses, net of cash acquired	(7,970)	(30,431)
Divestiture of business, net of cash retained in business	12,979	—
Payments of contingent consideration	(979)	—
Purchases of property, plant and equipment	(13,671)	(20,927)
Other	(379)	1,197
Net cash used in investing activities	(10,020)	(50,161)
Financing activities:		
Payment of dividends	(28,500)	(27,560)
Proceeds from issuance of common stock	7,154	3,494
Principal payments on debt	(42,514)	(26,143)
Income tax benefit from the exercise of stock options and deferred compensation distribution	1,075	182
Net cash used in financing activities	(62,785)	(50,027)
Effect of exchange rate changes on cash	21,497	984
Net increase in cash and cash equivalents	59,138	18,950
Cash and cash equivalents, beginning of period	314,840	188,156
Cash and cash equivalents, end of period	\$ 373,978	\$ 207,106
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of capitalized interest	\$ 16,379	\$ 18,217
Income taxes, net of refunds	26,695	18,296
Acquisitions:		
Fair value of assets acquired, net of cash and goodwill	\$ 4,624	\$ 15,366
Liabilities assumed	(1,446)	(5,201)
Goodwill	4,792	20,266
Net cash paid for acquisitions	\$ 7,970	\$ 30,431

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended April 30, 2011
(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, 2011 and July 31, 2010, its results of operations for the three and nine months ended April 30, 2011 and 2010, and its cash flows for the nine months ended April 30, 2011 and 2010. The condensed consolidated balance sheet as of July 31, 2010 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, 2010.

The Company has reclassified certain prior year financial statement amounts to conform to their current year presentation. The operating activities including “Other,” “Other liabilities,” and “Accounts payable and accrued liabilities”, which were previously disclosed as single line items, have been combined and reported as “Accounts payable and accrued liabilities” on the Condensed Consolidated Statement of Cash Flows for the nine months ended April 30, 2011 and 2010. These reclassifications had no effect on total assets, net income, or earnings per share.

NOTE B — Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended April 30, 2011, are as follows:

	Americas	Europe	Asia-Pacific	Total
Balance as of July 31, 2010	\$ 425,018	\$ 163,189	\$ 180,393	\$ 768,600
Current year acquisitions	—	—	4,792	4,792
Current year divestitures	(3,696)	(8,380)	—	(12,076)
Translation adjustments	4,203	18,847	15,029	38,079
Balance as of April 30, 2011	<u>\$ 425,525</u>	<u>\$ 173,656</u>	<u>\$ 200,214</u>	<u>\$ 799,395</u>

Goodwill increased \$30,795 during the nine months ended April 30, 2011. Of the \$30,795 increase, \$38,079 was due to the positive effects of foreign currency translation and \$4,792 resulted from the acquisition of ID Warehouse during the second quarter of fiscal 2011. The increase was offset by a \$12,076 decrease in goodwill as a result of the divestiture of the Company’s Teklynx business during the second quarter of fiscal 2011. See Note L, “Acquisitions and Divestitures” for further discussion.

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Other intangible assets include patents, trademarks, customer relationships, non-compete agreements and other intangible assets with finite lives being amortized in accordance with accounting guidance for goodwill and other intangible assets. The net book value of these assets was as follows:

	April 30, 2011				July 31, 2010			
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Amortized other intangible assets:								
Patents	5	\$ 9,687	\$ (8,452)	\$ 1,235	5	\$ 9,314	\$ (7,855)	\$ 1,459
Trademarks and other	7	9,434	(6,505)	2,929	7	8,823	(5,685)	3,138
Customer relationships	7	164,840	(115,293)	49,547	7	152,720	(95,996)	56,724
Non-compete agreements	4	13,523	(12,709)	814	4	11,930	(11,059)	871
Other	4	2,731	(2,723)	8	4	3,309	(3,297)	12
Unamortized other intangible assets:								
Trademarks	N/A	41,853	—	41,853	N/A	41,342	—	41,342
Total		\$ 242,068	\$ (145,682)	\$ 96,386		\$ 227,438	\$ (123,892)	\$ 103,546

The value of goodwill and other intangible assets in the Condensed Consolidated Balance Sheet at April 30, 2011 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, 2011. The acquisition completed during the nine months ended April 30, 2011 increased the customer relationships by \$1,846 and increased the amortizable trademarks by \$487. See Note L, "Acquisitions and Divestitures" for further discussion.

Amortization expense on intangible assets was \$5,117 and \$5,160 for the three-month periods ended April 30, 2011 and 2010, respectively and \$15,387 and \$16,395 for the nine-month periods ended April 30, 2011 and 2010, respectively. Annual amortization is projected to be \$20,740, \$16,794, \$10,959, \$5,941 and \$5,531 for the years ending July 31, 2011, 2012, 2013, 2014 and 2015, respectively.

NOTE C — Comprehensive Income

Total comprehensive income for the periods presented was as follows:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2011	2010	2011	2010
Net Income	\$ 28,589	\$ 23,695	\$ 79,069	\$ 60,364
Unrealized (loss) gain on cash flow hedges	(315)	110	(1,206)	63
Amortization of gain on post-retirement medical, dental and vision plan	(31)	(63)	(126)	(208)
Foreign currency translation adjustments	30,512	(1,758)	60,267	4,092
Total comprehensive income	\$ 58,755	\$ 21,984	\$ 138,004	\$ 64,311

The increase in total comprehensive income for the quarter ended April 30, 2011 as compared to April 30, 2010 was primarily due to the depreciation of the U.S. dollar against other currencies.

NOTE D — Net Income Per Common Share

In June 2008, the Financial Accounting Standards Board (“FASB”) issued accounting guidance addressing whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore need to be included in the earnings allocation in computing earnings per share. This guidance requires that all outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends be considered participating securities in undistributed earnings with common shareholders. The Company adopted the guidance during the first quarter of fiscal 2010. As a result, the dividends on the Company’s performance-based restricted shares are included in the basic and diluted earnings per share calculations for the respective periods presented.

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2011	2010	2011	2010
Numerator:				
Net income (numerator for basic and diluted Class A net income per share)	\$ 28,589	\$ 23,695	\$ 79,069	\$ 60,364
Less:				
Restricted stock dividends	(56)	(37)	(168)	(111)
Numerator for basic and diluted Class A net income per share	<u>\$ 28,533</u>	<u>\$ 23,658</u>	<u>\$ 78,901</u>	<u>\$ 60,253</u>
Less:				
Preferential dividends	—	—	(820)	(816)
Preferential dividends on dilutive stock options	—	—	(6)	(11)
Numerator for basic and diluted Class B net income per share	<u>\$ 28,533</u>	<u>\$ 23,658</u>	<u>\$ 78,075</u>	<u>\$ 59,426</u>
Denominator:				
Denominator for basic net income per share for both Class A and Class B	52,701	52,427	52,581	52,378
Plus: Effect of dilutive stock options	636	446	486	593
Denominator for diluted net income per share for both Class A and Class B	<u>53,337</u>	<u>52,873</u>	<u>53,067</u>	<u>52,971</u>
Class A Nonvoting Common Stock net income per share:				
Basic	\$ 0.54	\$ 0.45	\$ 1.50	\$ 1.15
Diluted	\$ 0.54	\$ 0.45	\$ 1.49	\$ 1.14
Class B Voting Common Stock net income per share:				
Basic	\$ 0.54	\$ 0.45	\$ 1.48	\$ 1.13
Diluted	\$ 0.54	\$ 0.45	\$ 1.47	\$ 1.12

Options to purchase approximately 2,500,000 and 3,100,000 shares of Class A Nonvoting Common Stock for the three and nine months ended April 30, 2011, respectively, and 2,800,000 and 2,700,000 shares of Class A Nonvoting Common Stock for the three and nine months ended April 30, 2010, 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 — Segment Information

The Company evaluates short-term segment performance based on segment profit or loss and customer sales. Corporate long-term performance is evaluated based on shareholder value enhancement (“SVE”), which incorporates the cost of capital as a hurdle rate for capital expenditures, new product development, and acquisitions. 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. Restructuring charges, stock options, interest, investment and other income and income taxes are also excluded when evaluating performance.

The Company is organized and managed on a geographic basis by region. Each of these regions, Americas, Europe and Asia-Pacific, has a President that reports directly to the Company’s chief operating decision maker, its Chief Executive Officer. Each region has its own distinct operations, is managed by its own management team, maintains its own financial reports and is evaluated based on regional segment profit. The Company has determined that these regions comprise its operating and reportable segments based on the information used by the Chief Executive Officer to allocate resources and assess performance.

Intersegment sales and transfers are recorded at cost plus a standard percentage markup. Intercompany profit is eliminated in consolidation. It is not practicable to disclose enterprise-wide revenue from external customers on the basis of product or service.

Following is a summary of segment information for the three and nine months ended April 30, 2011 and 2010:

	Americas	Europe	Asia-Pacific	Total Regions	Corporate And Eliminations	Totals
Three months ended April 30, 2011:						
Revenues from external customers	\$ 149,217	\$ 105,894	\$ 82,785	\$ 337,896	\$ —	\$ 337,896
Intersegment revenues	9,938	696	5,960	16,594	(16,594)	—
Segment profit	38,292	28,938	9,976	77,206	(3,561)	73,645
Three months ended April 30, 2010:						
Revenues from external customers	\$ 144,413	\$ 98,152	\$ 79,322	\$ 321,887	\$ —	\$ 321,887
Intersegment revenues	11,624	791	4,443	16,858	(16,858)	—
Segment profit	33,858	27,472	12,775	74,105	(3,558)	70,547
Nine months ended April 30, 2011:						
Revenues from external customers	\$ 431,216	\$ 301,985	\$ 263,292	\$ 996,493	\$ —	\$ 996,493
Intersegment revenues	30,729	2,209	18,306	51,244	(51,244)	—
Segment profit	108,666	82,165	38,330	229,161	(12,087)	217,074
Nine months ended April 30, 2010:						
Revenues from external customers	\$ 402,255	\$ 289,101	\$ 244,846	\$ 936,202	\$ —	\$ 936,202
Intersegment revenues	32,657	3,367	13,344	49,368	(49,368)	—
Segment profit	90,205	78,281	38,589	207,075	(10,161)	196,914

Following is a reconciliation of segment profit to net income for the three months and nine months ended April 30, 2011 and 2010.

	Three months ended: April 30,		Nine months ended: April 30,	
	2011	2010	2011	2010
Total profit from reportable segments	\$ 77,206	\$ 74,105	\$ 229,161	\$ 207,075
Corporate and eliminations	(3,561)	(3,558)	(12,087)	(10,161)
Unallocated amounts:				
Administrative costs	(31,563)	(32,286)	(90,534)	(91,944)
Restructuring charges	(1,211)	(2,347)	(6,986)	(9,597)
Investment and other income	1,428	121	2,892	1,273
Interest expense	(5,103)	(5,147)	(16,640)	(15,472)
Income before income taxes	37,196	30,888	105,806	81,174
Income taxes	(8,607)	(7,193)	(26,737)	(20,810)
Net income	\$ 28,589	\$ 23,695	\$ 79,069	\$ 60,364

NOTE F —Stock-Based Compensation

The Company has an incentive stock plan under which the Board of Directors may grant nonqualified stock options to purchase shares of Class A Nonvoting Common Stock or restricted 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 stock 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. Stock options issued under these plans, referred to herein as “service-based” stock 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” stock options. Performance-based stock options expire 10 years from the date of grant. Restricted shares have an issuance price equal to the fair market value of the underlying stock at the date of grant. The Company granted restricted shares in fiscal 2008 and fiscal 2011 that have an issuance price equal to the fair market value of the underlying stock at the date of grant. The restricted shares vest at the end of a five-year period, with respect to the restricted shares issued in fiscal 2008, and ratably at the end of years 3, 4 and 5 with respect to the restricted shares issued in fiscal 2011, and upon meeting certain financial performance conditions; these shares are referred to herein as “performance-based restricted shares.”

As of April 30, 2011, the Company has reserved 5,885,249 shares of Class A Nonvoting Common Stock for outstanding stock options and restricted shares and 740,000 shares of Class A Nonvoting Common Stock for future issuance of stock options and restricted shares 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 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, 2011 and 2010 was \$2,527 (\$1,541 net of taxes) and \$2,418 (\$1,475 net of taxes), respectively, and expense recognized during the nine months ended April 30, 2011 and 2010 was \$9,396 (\$5,732 net of taxes) and \$7,574 (\$4,620 net of taxes), respectively. As of April 30, 2011, total unrecognized compensation cost related to share-based compensation awards was \$18,384 pre-tax, net of estimated forfeitures, which the Company expects to recognize over a weighted-average period of 2.2 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, 2011 and 2010 using the Black-Scholes option valuation model. The weighted-average assumptions used in the Black-Scholes valuation model are reflected in the following table:

	Nine Months Ended April 30, 2011		Nine Months Ended April 30, 2010	
	Service-Based Option Awards	Performance- Based Option Awards	Service-Based Option Awards	Performance- Based Option Awards
Black-Scholes Option Valuation Assumptions				
Expected term (in years)	5.91	6.57	5.95	6.57
Expected volatility	40.22%	39.39%	39.85%	38.72%
Expected dividend yield	1.94%	1.96%	3.02%	3.02%
Risk-free interest rate	1.65%	2.35%	2.65%	3.03%
Weighted-average market value of underlying stock at grant date	\$ 29.10	28.43	\$ 28.73	28.73
Weighted-average exercise price	\$ 29.10	28.35	\$ 28.73	29.78
Weighted-average fair value of options granted during the period	\$ 9.58	9.87	\$ 8.78	8.70

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.

The Company granted 100,000 shares of performance-based restricted stock to Frank M. Jaehnert, the Company’s President and Chief Executive Officer, in August of 2010, with a grant price and fair value of \$28.35. The Company also granted 210,000 shares of performance-based restricted stock during fiscal 2008, with a grant price and fair value of \$32.83. As of April 30, 2011, 310,000 performance-based restricted shares were outstanding.

The Company granted 465,000 performance-based stock options during the nine months ended April 30, 2011, with a weighted average exercise price of \$28.35 and a weighted average fair value of \$9.87. The Company also granted 897,500 service-based stock options during the nine months ended April 30, 2011, with a weighted average exercise price of \$29.10 and a weighted average fair value of \$9.58.

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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, 2011 is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at July 31, 2010	5,108,736	\$ 28.69		
New grants	1,362,500	\$ 28.84		
Exercised	(366,488)	\$ 19.43		
Forfeited or expired	(292,499)	\$ 31.65		
Outstanding at April 30, 2011	5,812,249	\$ 29.16	6.62	\$ 48,729
Exercisable at April 30, 2011	3,359,215	\$ 29.70	5.00	\$ 26,350

There were 3,359,215 and 3,104,089 options exercisable with a weighted average exercise price of \$29.70 and \$28.34 at April 30, 2011 and 2010, respectively. The cash received from the exercise of options during the quarters ended April 30, 2011 and 2010 was \$2,244 and \$1,822, respectively. The cash received from the exercise of options during the nine months ended April 30, 2011 and 2010 was \$7,154 and \$3,494, respectively. The cash received from the tax benefit on stock options exercised during the quarter ended April 30, 2011 and 2010 was \$695 and \$462, respectively. The cash received from the tax benefit on options exercised during the nine months ended April 30, 2011 and 2010 was \$1,398 and \$845, respectively.

The total intrinsic value (defined as the amount by which the fair value of the underlying stock exceeds the exercise price of an option) of options exercised during the nine months ended April 30, 2011 and 2010, based upon the average market price during the period, was \$4,907 and \$2,660, respectively. The total fair value of stock options vested during the nine months ended April 30, 2011 and 2010 was \$6,775 and \$5,294, respectively.

NOTE G — Stockholders' Investment

In fiscal 2009, the Company's Board of Directors authorized share repurchase plans for the Company's Class A Nonvoting Common Stock. The share repurchase plans were implemented by purchasing shares in the open market or privately negotiated transactions, with repurchased shares available for use in connection with the Company's stock-based plans and for other corporate purposes. The Company reacquired approximately 102,067 shares of its Class A Common Stock for \$2.5 million in fiscal 2010 in connection with its stock repurchase plans. No shares were reacquired during the nine months ended April 30, 2011. As of April 30, 2011, there remained 204,133 shares to purchase in connection with this share repurchase plan.

NOTE H — Employee Benefit Plans

The Company provides postretirement medical, dental and vision benefits for eligible regular full and part-time domestic employees (including spouses) outlined by the plan. Postretirement benefits are provided only if the employee was hired prior to April 1, 2008, and retires 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 postretirement healthcare plan where employer contributions will not exceed a defined dollar benefit amount, regardless of the cost of the program. Employer contributions to the plan are based on the employee's age and service at retirement.

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 2011 from those reported 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, 2010.

NOTE I — Fair Value Measurements

The Company adopted new accounting guidance on fair value measurements on August 1, 2008 as it relates to financial assets and liabilities. The Company adopted the new accounting guidance on fair value measurements for its nonfinancial assets and liabilities on August 1, 2009. The accounting guidance applies to other accounting pronouncements that require or permit fair value measurements, defines fair value based upon an exit price model, establishes a framework for measuring fair value, and expands the applicable disclosure requirements. The accounting guidance indicates, among other things, that a fair value measurement assumes that a transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

The accounting guidance on fair value measurements establishes a fair market value hierarchy for the pricing inputs used to measure fair market value. The Company's assets and liabilities measured at fair market value are classified in one of the following categories:

Level 1 — Assets or liabilities for which fair value is based on quoted market prices in active markets for identical instruments as of the reporting date.

Level 2 — Assets or liabilities for which fair value is based on valuation models for which pricing inputs were either directly or indirectly observable.

Level 3 — Assets or liabilities for which fair value is based on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

The following tables set forth by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis at April 30, 2011, and July 31, 2010, according to the valuation techniques the Company used to determine their fair values.

	Fair Value Measurements Using Inputs Considered as					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value		Balance Sheet Classification
April 30, 2011:						
Trading Securities	\$ 11,236	\$ —	\$ —	\$ 11,236		Other assets
Foreign exchange contracts — cash flow hedges	—	65	—	65		Prepaid expenses and other current assets
Total Assets	<u>\$ 11,236</u>	<u>\$ 65</u>	<u>\$ —</u>	<u>\$ 11,301</u>		
Foreign exchange contracts — cash flow hedges	\$ —	\$ 1,672	—	\$ 1,672		Other current liabilities
Foreign exchange contracts — net investment hedge	—	14,069	—	14,069		Other current liabilities
Foreign exchange contracts	—	—	—	—		Other current liabilities
Foreign currency denominated debt — net investment hedge	—	109,110	—	109,110		Long term obligations, less current maturities
Total Liabilities	<u>\$ —</u>	<u>\$ 124,851</u>	<u>\$ —</u>	<u>\$ 124,851</u>		
July 31, 2010:						
Trading Securities	\$ 8,757	\$ —	\$ —	\$ 8,757		Other assets
Foreign exchange contracts — cash flow hedges	—	156	—	156		Prepaid expenses and other current assets
Foreign exchange contracts	—	24	—	24		Prepaid expenses and other current assets
Total Assets	<u>\$ 8,757</u>	<u>\$ 180</u>	<u>\$ —</u>	<u>\$ 8,937</u>		
Foreign exchange contracts — cash flow hedges	\$ —	\$ 829	\$ —	\$ 829		Other current liabilities
Foreign exchange contracts	—	64	—	64		Other current liabilities
Foreign currency denominated debt — net investment hedge	—	97,747	—	97,747		Long term obligations, less current maturities
Total Liabilities	<u>\$ —</u>	<u>\$ 98,640</u>	<u>\$ —</u>	<u>\$ 98,640</u>		

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

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

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

Foreign currency denominated debt — net investment hedge: The Company's foreign currency denominated debt designated as a net investment hedge was classified as Level 2, as the fair value was based on the present value of the future cash flows using external models that use observable inputs, such as interest rates, yield curves and foreign currency exchange rates. See Note K, "Derivatives and Hedging Activities" for additional information.

There have been no transfers of assets or liabilities between the fair value hierarchy levels, outlined above, during the nine months ended April 30, 2011.

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

The estimated fair value of the Company's long-term obligations including current maturities, based on the quoted market prices for similar issues and on the current rates offered for debt of similar maturities, was \$430,276 and \$467,479 at April 30, 2011 and July 31, 2010, respectively, as compared to the carrying value of \$413,053 and \$444,204 at April 30, 2011 and July 31, 2010, respectively.

Disclosures for nonfinancial assets and liabilities that are measured at fair value, but are recognized and disclosed at fair value on a nonrecurring basis, were required prospectively beginning August 1, 2009. During the nine months ended April 30, 2011, the Company had no significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition other than for the acquisition of ID Warehouse and divestiture of the Teklynx business. See Note L, "Acquisitions and Divestitures" for further information.

NOTE J — Restructuring

In fiscal 2010, the Company continued the execution of its restructuring actions announced in fiscal 2009. As a result of these actions, the Company recorded restructuring charges of \$15,314 in fiscal 2010. The restructuring charges included \$10,850 of employee separation costs, \$2,260 of non-cash fixed asset write-offs, \$1,493 of other facility closure related costs, and \$711 of contract termination costs. The Company continued executing its restructuring actions during the nine months ended April 30, 2011.

During the three and nine months ended April 30 2011, the Company recorded restructuring charges of \$1,211 and \$6,986, respectively. The year-to-date charges of \$6,986 consisted of \$4,531 of employee separation costs, \$2,155 of fixed asset write-offs, and \$300 of other facility closure related costs and contract termination costs. Of the \$6,986 of restructuring charges recorded during the nine months ended April 30, 2011, \$4,401 was incurred in the Americas, \$2,457 was incurred in Europe, and \$128 was incurred in Asia-Pacific. The charges for employee separation costs consisted of severance pay, outplacement services, medical and other related benefits. The costs related to these restructuring activities have been recorded on the condensed consolidated statements of income as restructuring charges. The Company expects the majority of the remaining cash payments to be made during the next twelve months.

A reconciliation of the Company's fiscal 2011 restructuring activity is as follows:

	Employee Related	Asset Write- offs	Other	Total
Beginning balance, July 31, 2010	\$ 6,055	\$ —	\$ 106	\$ 6,161
Restructuring charge	2,665	951	25	3,641
Non-cash write-offs	—	(951)	—	(951)
Cash payments	(3,413)	—	(112)	(3,525)
Ending balance, October 31, 2010	\$ 5,307	\$ —	\$ 19	\$ 5,326
Restructuring charge	1,213	763	158	2,134
Non-cash write-offs	—	(763)	—	(763)
Cash payments	(2,679)	—	(169)	(2,848)
Ending balance, January 31, 2011	\$ 3,841	\$ —	\$ 8	\$ 3,849
Restructuring charge	653	441	117	1,211
Non-cash write-offs	—	(441)	—	(441)
Cash payments	(1,823)	—	(117)	(1,940)
Ending balance, April 30, 2011	\$ 2,671	\$ —	\$ 8	\$ 2,679

NOTE K — Derivatives and Hedging Activities

The Company utilizes forward foreign exchange currency contracts to reduce the exchange rate risk of specific foreign currency denominated transactions and net investments. These contracts typically require the exchange of a foreign currency for U.S. dollars at a fixed rate at a future date, with maturities of 12 months or less, which qualify as either cash flow hedges or net investment hedges under the accounting guidance for derivative instruments and hedging activities. The primary objectives of the Company's foreign currency exchange risk management are to minimize the impact of currency movements due to products purchased in other than the respective subsidiaries' functional currency and to minimize the impact of currency movements on the Company's net investment denominated in a currency other than the U.S. dollar. To achieve this objective, the Company hedges a portion of known exposures using forward foreign exchange currency contracts. As of April 30, 2011 and July 31, 2010, the notional amount of outstanding forward exchange contracts was \$120,475 and \$45,328, respectively.

Hedge effectiveness is determined by how closely the changes in the fair value of the hedging instrument offset the changes in the fair value or cash flows of the hedged item. Hedge accounting is permitted only if the hedging relationship is expected to be highly effective at the inception of the hedge and on an on-going basis. Gains or losses on the derivative related to hedge ineffectiveness are recognized in current earnings. The amount of hedge ineffectiveness was not significant for the three-month or nine-month periods ended April 30, 2011 and 2010.

The Company hedges a portion of known exposure using forward exchange contracts. Main exposures are related to transactions denominated in the British Pound, the Euro, Canadian Dollar, Australian Dollar, Singapore Dollar, Swedish Krona, Japanese Yen, Swiss Franc, and the Korean Won. Generally, these risk management transactions will involve the use of foreign currency derivatives to protect against exposure resulting from sales and identified inventory or other asset purchases.

The Company has designated a portion of its foreign exchange contracts as cash flow hedges and recorded these contracts at fair value on the Condensed Consolidated Balance Sheets. For these instruments, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income ("OCI") and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. At April 30, 2011 and July 31, 2010, unrealized losses of \$2,210 and \$493 have been included in OCI, respectively. All balances are expected to be reclassified from OCI to earnings during the next twelve months when the hedged transactions impact earnings.

At April 30, 2011 and July 31, 2010, the Company had \$65 and \$156 of forward exchange contracts designated as cash flow hedges included in "Prepaid expenses and other current assets" on the accompanying Condensed Consolidated Balance Sheets. At April 30, 2011 and July 31, 2010, the Company had \$1,672 and \$829, respectively, of forward exchange contracts designated as cash flow hedges included in "Other current liabilities" on the accompanying Condensed Consolidated Balance Sheets. At April 30, 2011 and July 31, 2010, the U.S. dollar equivalent of these outstanding forward foreign exchange contracts totaled \$20,475 and \$32,020, respectively, including contracts to sell Euros, Canadian Dollars, Australian Dollars, British Pounds, U.S. Dollars, and Swiss Franc.

On May 13, 2010, the Company completed the private placement of €75.0 million aggregate principal amount of senior unsecured notes to accredited institutional investors. This Euro-denominated debt obligation was designated as a net investment hedge to hedge portions of the Company's net investment in Euro-denominated foreign operations. As net investment hedges, the currency effects of the debt obligations are reflected in the foreign currency translation adjustments component of accumulated other comprehensive income where they offset gains and losses recorded on the Company's net investment in Euro-denominated operations. The Company's foreign denominated debt obligations are valued under a market approach using publicized spot prices.

During the three and nine month period ended April 30, 2011, the Company used forward foreign exchange currency contracts designated as net investment hedges to hedge portions of the Company's net investments in Euro-denominated foreign operations. For hedges that meet the effectiveness requirements, the net gains or losses attributable to changes in spot exchange rates are recorded in the foreign exchange translation adjustment component of accumulated other comprehensive income where it offsets gains and losses recorded on the Company's net investment in Euro-denominated foreign operations. Any ineffective portions are recognized in earnings. Recognition in earnings of amounts previously recorded in cumulative translation is limited to circumstances such as complete or substantially complete liquidation of the net investment in the hedged foreign operation. At April 30, 2011, the Company had \$14,069 of forward foreign exchange currency contracts designated as net investment hedges included in "Other current liabilities" on the Condensed Consolidated Balance Sheet. At April 30, 2011, the U.S. dollar equivalent of these outstanding forward foreign exchange contracts totaled \$100,000. There were no forward foreign exchange contracts designated as net investment hedges outstanding as of July 31, 2010.

Fair values of derivative instruments in the Condensed Consolidated Balance Sheets were as follows:

	Asset Derivatives				Liability Derivatives			
	April 30, 2011		July 31, 2010		April 30, 2011		July 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Cash flow hedges								
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 65	Prepaid expenses and other current assets	\$ 156	Other current liabilities	\$ 1,672	Other current liabilities	\$ 829
Net investment hedges								
Foreign currency denominated debt	Prepaid expenses and other current assets	\$ —	Prepaid expenses and other current assets	\$ —	Long term obligations, less current maturities	\$ 109,110	Long term obligations, less current maturities	\$ 97,747
Foreign exchange contracts	Prepaid expenses and other current assets	\$ —	Prepaid expenses and other current assets	\$ —	Other current liabilities	\$ 14,069	Other current liabilities	\$ —
Total derivatives designated as hedging instruments		\$ 65		\$ 156		\$ 124,851		\$ 98,576
Derivatives not designated as hedging instruments								
Foreign exchange contracts	Prepaid expenses and other current assets	\$ —	Prepaid expenses and other current assets	\$ 24	Other current liabilities	\$ —	Other current liabilities	\$ 64
Total derivatives not designated as hedging instruments		\$ —		\$ 24		\$ —		\$ 64

The pre-tax effects of derivative instruments designated as cash flow hedges and net investment hedges on the Condensed Consolidated Statements of Income consisted of the following:

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified From Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified From Accumulated OCI Into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	
	Nine months ended April 30, 2011	Nine months ended April 30, 2010		Nine months ended April 30, 2011	Nine months ended April 30, 2010		Nine months ended April 30, 2011	Nine months ended April 30, 2010
Derivatives in Cash Flow Hedging Relationships								
Cash Flow Hedges								
Foreign exchange contracts	\$ (2,210)	\$ (120)	Cost of Goods Sold	\$ (887)	\$ —	Cost of Goods Sold	\$ —	\$ —
Total	\$ (2,210)	\$ (120)		\$ (887)	\$ —		\$ —	\$ —

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The pre-tax effects of derivative instruments designated as net investment hedges on the Condensed Consolidated Balance Sheet consisted of the following:

Derivatives in Net Investment Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified From Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified From Accumulated OCI Into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	
	Nine months ended			Nine months ended			Nine months ended	
	April 30,			April 30,			April 30,	
	2011	2010		2011	2010		2011	2010
Foreign currency denominated debt	\$ (11,362)	\$ —	Investment and other income — net	\$ —	\$ —	Investment and other income — net	\$ —	\$ —
Foreign exchange contracts	\$ (14,069)	\$ (1,326)	Investment and other income — net	\$ —	\$ —	Investment and other income — net	\$ —	\$ —
Total	\$ (25,431)	\$ (1,326)		\$ —	\$ —		\$ —	\$ —

The pre-tax effects of derivative instruments not designated as hedge instruments on the Condensed Consolidated Statements of Income consisted of the following:

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		Nine months ended April 30, 2011	Nine months ended April 30, 2010
Foreign exchange contracts	Other income (expense)	\$ (953)	\$ (402)
Total		\$ (953)	\$ (402)

NOTE L — Acquisitions and Divestitures

On November 1, 2010, the Company acquired ID Warehouse, based in New South Wales, Australia for \$7,970. ID Warehouse offers security identification and visitor management products including identification card printers, access control cards, wristbands, tamper-evident security seals and identification accessories. The business is included in the Company's Asia-Pacific segment. The purchase price allocation resulted in \$4,792 assigned to goodwill, \$1,846 assigned to customer relationships, and \$487 assigned to non-compete agreements. The amounts assigned to the customer relationships and non-compete agreements are being amortized over 10 and 5 years, respectively. The Company expects the acquisition to further strengthen its position in the people identification business in Australia and the segment.

The results of the operations of the acquired business have been included since the date of acquisition in the accompanying condensed consolidated financial statements. The Company is continuing to evaluate the initial purchase price allocations for the acquisition included above and will adjust the allocations as additional information relative to the fair value of assets and liabilities of the acquired business becomes known. Pro forma information related to the acquisition of ID Warehouse was not included because the impact on the Company's consolidated results of operations is considered to be immaterial.

On December 16, 2010, the Company sold its Teklynx business, a barcode software company. The Teklynx business had operations primarily in the Company's Americas and Europe segments. The Company received proceeds of \$12,979, net of cash retained in the business. The transaction resulted in a pre-tax gain of \$4,394, which was accounted for in "Selling, general, and administrative expenses" ("SG&A") on the Condensed Consolidated Statement of Income for the nine month periods ended April 30, 2011. The divestiture of the Teklynx business was part of the Company's continued long-term growth strategy to focus the Company's energies and resources on growth of the Company's core business.

NOTE M — Updated Accounting Policies

In July 2010, the FASB issued Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, requiring more robust and disaggregated disclosures about the credit quality of an entity's financing receivables and its allowance for credit losses. The Company adopted the new guidance in the second quarter of fiscal 2011. The new guidance provides for additional disclosure included herein.

Accounts receivables are stated net of allowances for doubtful accounts of \$5,523 and \$7,137 as of April 30, 2011 and July 31, 2010, respectively. No single customer comprised more than 10% of the Company's consolidated net sales as of April 30, 2011 or July 31, 2010, or 10% of the Company's consolidated accounts receivable as of April 30, 2011 and July 31, 2010. Specific customer provisions are made when a review of significant outstanding amounts, utilizing information about customer creditworthiness and current economic trends, indicates that collection is doubtful. In addition, provisions are made at different rates, based upon the age of the receivable and the Company's historical collection experience.

In addition, the Company provides for an allowance for estimated product returns and credit memos which is recognized as a deduction from sales at the time of the sale. As of April 30, 2011 and July 31, 2010, the Company had a reserve of \$4,414 and \$3,963, respectively.

NOTE N — Subsequent Events

On May 17, 2011, the Board of Directors declared a quarterly cash dividend to shareholders of the Company's Class A and Class B Common Stock of \$0.18 per share payable on July 29, 2011 to shareholders of record at the close of business on July 8, 2011.

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

Overview

Brady, a Wisconsin corporation founded in 1914, is an international manufacturer and marketer of identification solutions and specialty materials that identify and protect premises, products, and people. Its products include facility identification products; safety and complementary products; wire and cable identification products; sorbent materials; people identification products; regulatory publishing products; high-performance identification products for product identification and work-in-process identification; and bar-code labels and precision die-cut components for mobile telecommunications devices, hard disk drives, medical devices and supplies, and automotive and other electronics. The Company serves customers in general manufacturing, maintenance and safety, process industries, construction, electrical, telecommunications, electronics, laboratory/healthcare, airline/transportation, brand protection, education, governmental, public utility, and a variety of other industries. The Company manufactures and sells products domestically and internationally through multiple channels including distributors, resellers, business-to-business direct marketing and a direct sales force. 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. The Company operates in Australia, Belgium, Brazil, Canada, the Cayman Islands, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, Norway, the Philippines, Poland, Singapore, South Korea, Spain, Sweden, Thailand, Turkey, the United Arab Emirates, 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 New Zealand, Russia, Taiwan, Turkey, Vietnam, and the United Arab Emirates. The Company further markets its products to parts of Eastern Europe, the Middle East, Africa and Russia.

Sales for the quarter ended April 30, 2011, increased 4.9% to \$337.9 million, compared to \$321.9 million in the same period of fiscal 2010. Of the increase in sales, organic sales increased 1.0%, acquisitions net of divestitures added 0.4% and the effects of fluctuations in the exchange rates used to translate financial results into the United States dollar increased sales by 3.5%. Net income for the quarter ended April 30, 2011, was \$28.6 million or \$0.54 per diluted Class A Nonvoting Common Share, up 20.7% and 20.0%, respectively, from \$23.7 million or \$0.45 per diluted Class A Nonvoting Common Share reported in the third quarter of last fiscal year. Net income before restructuring-related expenses for the quarter ended April 30, 2011 was \$29.5 million, or \$0.55 per diluted Class A Nonvoting Common Share, an increase of 16.1% from \$25.4 million, or \$0.48 per diluted Class A Nonvoting Common Share for the quarter ended April 30, 2010.

Sales for the nine months ended April 30, 2011, increased 6.4% to \$996.5 million, compared to \$936.2 million in the same period of fiscal 2010. Of the increase in sales, organic sales increased 4.1%, acquisitions net of divestitures added 1.4% and the effects of fluctuations in the exchange rates used to translate financial results into the United States dollar increased sales 0.9%. Net income for the nine months ended April 30, 2011, was \$79.1 million or \$1.49 per diluted Class A Nonvoting Common Share, up 31.0% and 30.7%, respectively, from \$60.4 million or \$1.14 per diluted Class A Nonvoting Common Share reported in the same period of the prior fiscal year. Net income before restructuring-related expenses for the nine months ended April 30, 2011 was \$84.1 million or \$1.58 per diluted Class A Nonvoting Common Share, an increase of 25.0% from \$67.3 million or \$1.27 per diluted Class A Nonvoting Common Share, for the nine months ended April 30, 2010.

Results of Operations

The comparability of the operating results for the three and nine months ended April 30, 2011, to the prior year has been impacted by the following acquisitions and divestiture completed in fiscal 2011 and fiscal 2010.

Fiscal 2011

	<u>Segment</u>	<u>Date Completed</u>
Acquisitions		
ID Warehouse	Asia Pacific	November 2010
Divestiture		
Teklynx	Americas Europe	December 2010

Fiscal 2010

	<u>Segment</u>	<u>Date Completed</u>
Acquisitions		
Welconstruct Group Limited ("Welco")	Europe	October 2009
Stickolor Industria e Comercio de Auto Adesivos Ltda. ("Stickolor")	Americas	December 2009
Securimed SAS ("Securimed")	Europe	March 2010

Sales for the three months ended April 30, 2011, increased 4.9% compared to the same period in fiscal 2010. The increase was comprised of an increase in organic sales of 1.0%, an increase of 0.4% due to the acquisitions net of divestitures listed in the above table, and an increase of 3.5% due to the effect of currencies on sales. Organic sales grew during the third quarter of fiscal 2011 in the Americas and Europe segments by 2.7% and 3.6%, respectively, partially offset by a decline in organic sales of 5.1% in the Asia-Pacific segment. The organic sales increase experienced in the Americas was due primarily to the strong Brady brand sales growth and new products positively received by end—users and distributors. The increase in Europe’s organic sales was mainly a result of the Brady business in Germany and in Southern Europe. The decline in organic sales for the Asia-Pacific segment was due to the reduced demand from one of our largest mobile handset customers and Japan-related supply chain issues experienced by the Company’s customers.

Sales for the nine months ended April 30, 2011, increased 6.4% compared to the same period in fiscal 2010. The increase was comprised of a 4.1% increase in organic sales and an increase of 1.4% resulting from sales related to the acquisitions of ID Warehouse in fiscal 2011 and the acquisitions of Welco, Stickolor and Securimed in fiscal 2010, net of divestiture. The positive impact of the fluctuations in exchange rates also increased sales in the quarter by 0.9%. The increase in organic sales was comprised of increases of 5.3% in the Americas segment, 5.6% in the Europe segment, and 0.4% in the Asia-Pacific segment.

Gross margin as a percentage of sales decreased to 49.6% from 49.8% for the quarter and to 49.3% from 49.6% for the nine months ended April 30, 2011, compared to the same periods of the previous year. This decrease in gross margin as a percentage of sales for the three and nine months ended April 30, 2011 was primarily due to the increased costs of raw materials which the Company was not able to offset through continued cost reduction activities or price increases.

Research and development (“R&D”) expenses decreased 1.5% to \$10.6 million for the quarter and increased 4.1% to \$32.2 million for the nine months ended April 30, 2011, compared to \$10.7 million and \$31.0 million for the same periods in the prior year, respectively. The decrease for the quarter ended April 30, 2011 was due to the elimination of the R&D expenses incurred by the Company’s previously owned Teklynx business in the second quarter of fiscal 2011. As a percentage of sales, R&D expenses represented a lower percentage of sales, declining to 3.1% in the third quarter of fiscal 2011 from 3.3% in the third quarter of fiscal 2010, and declining to 3.2% in the first nine months of fiscal 2011 compared to 3.3% in the first nine months of fiscal 2010. The Company continues its commitment to innovation and new product development and expects R&D expense to continue to increase through fiscal 2011.

Selling, general and administrative (“SG&A”) expenses increased 3.4% to \$115.0 million for the three months ended April 30, 2011, compared to \$111.2 million for the same period in the prior year, and increased 1.1% to \$332.4 million for the nine months ended April 30, 2011, compared to \$328.6 million for the same period in the prior year. SG&A increased during the quarter ended April 30, 2011 mainly due to the fluctuations in exchange rates, in addition to the increase in annual merit increases and the increase in advertising campaign expenses. During the nine months ended April 30, 2011, the Company divested of its Teklynx business resulting in a pre-tax gain of \$4.4 million, which is included in SG&A. This gain was offset by an increase in the Company’s transaction-related costs in addition to the merit increase during the nine months ended April 30, 2011. As a percentage of sales, SG&A expenses declined to 34.0% from 34.6% for the quarter and to 33.4% from 35.1% for the nine months ended April 30, 2011, compared to the same periods in the prior year.

Restructuring expenses decreased to \$1.2 million from \$2.3 million for the three months ended April 30, 2011, as compared to the same period in the prior year, and decreased to \$7.0 million from \$9.6 million for the nine months ended April 30, 2011 as compared to the same period in the prior year. In fiscal 2009, in response to the global recession, the Company took several measures to address its cost structure. The Company continued to incur costs related to the reduction of its workforce and facilities consolidations during the nine months ended April 30, 2011. The Company expects to incur \$8 to \$10 million of restructuring charges in fiscal 2011.

Other income and expense increased to \$1.4 million from \$0.1 million for the three months ended April 30, 2011, as compared to the same period in the prior year, and increased to \$2.9 million from \$1.3 million for the nine months ended April 30, 2011 as compared to the same period in the prior year. The increase was primarily due to the gains on securities held in executive deferred compensation plans and interest income.

Interest expense remained constant at \$5.1 million for the quarter and increased to \$16.6 million from \$15.5 million for the nine months ended April 30, 2011, compared to the same periods in the prior year. The increase was due to the incremental interest on the Company’s May 2010 private placement entered into in the fourth quarter of fiscal 2010, partially offset by scheduled debt payments made during the three and nine months ended April 30, 2011.

The Company's income tax rate was 23.1% for the three months ended April 30, 2011 and 25.3% for the nine months ended April 30, 2011, compared to 23.3% and 25.6% for the three and nine months ended April 30, 2010, respectively. During the quarter ended April 30, 2011, the Company recognized tax benefits associated with certain international tax positions being settled and the lapses of statutes of limitation. The benefits were partially offset by an increase in the Company's effective tax rate due to the mix of profits in low and high tax countries. The Company expects the full year effective tax rate for fiscal 2011 to be approximately 25%.

Net income for the three months ended April 30, 2011, increased 20.7% to \$28.6 million, compared to \$23.7 million for the same quarter of the previous year. Net income as a percentage of sales increased to 8.5% from 7.4% for the quarter ended April 30, 2011, compared to the same period in the prior year. Net income before restructuring-related expenses for the quarter ended April 30, 2011 was \$29.5 million, an increase of 16.1% from \$25.4 million, for the same period in the previous year. For the nine months ended April 30, 2011, net income increased 31.0% to \$79.1 million, compared to \$60.4 million for the same period in the previous year. As a percentage of sales, net income increased to 7.9% from 6.4% for the nine months ended April 30, 2011, compared to the same period in the previous year. Net income before restructuring-related expenses for the nine months ended April 30, 2011 was \$84.1 million, an increase of 25.0% from \$67.3 million, for the nine months ended April 30, 2010. The improved earnings for the nine months ended April 30, 2011, was primarily driven by the organic growth, which included organic growth in all three segments along with the impacts of the Company's on-going process improvement activities.

Business Segment Operating Results

The Company is organized and managed on a geographic basis by region. Each of these regions, Americas, Europe and Asia-Pacific, has a President that reports directly to the Company's chief operating decision maker, its Chief Executive Officer. Each region has its own distinct operations, is managed locally by its own management team, maintains its own financial reports and is evaluated based on regional segment profit. The Company has determined that these regions comprise its operating and reportable segments based on the information used by the Chief Executive Officer to allocate resources and assess performance.

Following is a summary of segment information for the three and nine months ended April 30, 2011 and 2010:

(Dollars in thousands)	Americas	Europe	Asia-Pacific	Total Regions	Corporate and Eliminations	Total
SALES TO EXTERNAL CUSTOMERS						
Three months ended:						
April 30, 2011	\$ 149,217	\$ 105,894	\$ 82,785	\$ 337,896	\$ —	\$ 337,896
April 30, 2010	\$ 144,413	\$ 98,152	\$ 79,322	\$ 321,887	\$ —	\$ 321,887
Nine months ended:						
April 30, 2011	\$ 431,216	\$ 301,985	\$ 263,292	\$ 996,493	\$ —	\$ 996,493
April 30, 2010	\$ 402,255	\$ 289,101	\$ 244,846	\$ 936,202	\$ —	\$ 936,202
SALES GROWTH INFORMATION						
Three months ended April 30, 2011						
Organic	2.7%	3.6%	(5.1%)	1.0%	—	1.0%
Currency	1.3%	4.0%	7.0%	3.5%	—	3.5%
Acquisitions/Divestitures	(0.7%)	0.3%	2.5%	0.4%	—	0.4%
Total	3.3%	7.9%	4.4%	4.9%	—	4.9%
Nine months ended April 30, 2011						
Organic	5.3%	5.6%	0.4%	4.1%	—	4.1%
Currency	0.9%	(3.2%)	5.6%	0.9%	—	0.9%
Acquisitions/Divestitures	1.0%	2.1%	1.5%	1.4%	—	1.4%
Total	7.2%	4.5%	7.5%	6.4%	—	6.4%
SEGMENT PROFIT						
Three months ended:						
April 30, 2011	\$ 38,292	\$ 28,938	\$ 9,976	\$ 77,206	\$ (3,561)	\$ 73,645
April 30, 2010	\$ 33,858	\$ 27,472	\$ 12,775	\$ 74,105	\$ (3,558)	\$ 70,547
Percentage increase	13.1%	5.3%	(21.9%)	4.2%		4.4%
Nine months ended:						
April 30, 2011	\$ 108,666	\$ 82,165	\$ 38,330	\$ 229,161	\$ (12,087)	\$ 217,074
April 30, 2010	\$ 90,205	\$ 78,281	\$ 38,589	\$ 207,075	\$ (10,161)	\$ 196,914
Percentage increase	20.5%	5.0%	(0.7%)	10.7%		10.2%

NET INCOME RECONCILIATION (Dollars in thousands)

	Three months ended:		Nine months ended:	
	April 30, 2011	April 30, 2010	April 30, 2011	April 30, 2010
Total profit from reportable segments	\$ 77,206	\$ 74,105	\$ 229,161	\$ 207,075
Corporate and eliminations	(3,561)	(3,558)	(12,087)	(10,161)
Unallocated amounts:				
Administrative costs	(31,563)	(32,286)	(90,534)	(91,944)
Restructuring costs	(1,211)	(2,347)	(6,986)	(9,597)
Investment and other income	1,428	121	2,892	1,273
Interest expense	(5,103)	(5,147)	(16,640)	(15,472)
Income before income taxes	37,196	30,888	105,806	81,174
Income taxes	(8,607)	(7,193)	(26,737)	(20,810)
Net income	<u>\$ 28,589</u>	<u>\$ 23,695</u>	<u>\$ 79,069</u>	<u>\$ 60,364</u>

The Company evaluates short-term segment performance based on segment profit or loss and customer sales. Corporate long-term performance is evaluated based on shareholder value enhancement (“SVE”), which incorporates the cost of capital as a hurdle rate for capital expenditures, new product development, and acquisitions. 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. Restructuring charges, stock options, interest, investment and other income and income taxes are also excluded when evaluating performance.

Americas:

Americas sales increased 3.3% to \$149.2 million for the quarter and 7.2% to \$431.2 million for the nine months ended April 30, 2011, compared to \$144.4 million and \$402.3 million for the same three and nine-month periods in the prior year. Organic sales increased 2.7% and 5.3% during the quarter and year-to-date, respectively, as compared to the same periods in the previous year across. Fluctuations in the exchange rates used to translate financial results into the United States dollar resulted in a positive impact on sales of 1.3% and 0.9% in the quarter and in the nine-month period, respectively, as compared to the same periods in the previous year. Sales resulting from acquisitions net of divestiture declined 0.7% for the quarter and increased 1.0% for the nine-month period as a result of the sales of Stickolor, acquired in the second quarter of fiscal 2010, offset by the reduction in sales due to the divestiture of the Teklynx business. The increases in organic sales of 2.7% for the three-month period and 5.3% for the nine-month period was driven by the broad-based improvement in the Company’s core markets, in addition to the positive results from new products.

Segment profit for the region increased 13.1% to \$38.3 million from \$33.9 million for the quarter and 20.5% to \$108.7 million from \$90.2 million for the nine months ended April 30, 2011, compared to the same periods in the prior year. Segment profit for the quarter was positively impacted by increased sales volumes, while the segment continued to drive productivity improvements through consolidating facilities, and implementing other operational improvement initiatives to further reduce costs and improve productivity. As a percentage of sales, segment profit increased to 25.7% from 23.4% in the third quarter of fiscal 2011 and increased to 25.2% from 22.4% in the nine months ended April 30, 2011, compared to the same periods in the prior year. The increase in segment profit as a percentage of sales was due to the cost reduction efforts and productivity improvements described above.

Europe:

Europe sales increased 7.9% to \$105.9 million for the quarter and 4.5% to \$302.0 million for the nine months ended April 30, 2011, compared to \$98.2 million and \$289.1 million for the same three and nine-month periods in the prior year. Organic sales increased 3.6% and 5.6% for the quarter and year-to-date, respectively, compared to the same periods in the previous year. Sales were also affected by fluctuations in the exchange rates used to translate financial results into the United States dollar, which increased sales within the segment by 4.0% in the quarter and reduced sales by 3.2% during the nine-month period. Segment sales increased 0.3% during the quarter and 2.1% during the nine-month period as result of the fiscal 2010 acquisitions of Welco and Securimed, net of the fiscal 2011 divestiture of the Teklynx business. The segment’s organic sales were positively impacted during the three and nine months ended April 30, 2011 as a result of growth in the Brady business in Germany and Southern Europe due to a combination of improving economies and positive results of sales initiatives, partially offset by the continued depressed conditions in the United Kingdom.

Segment profit for the region increased 5.3% to \$28.9 million from \$27.5 million for the quarter and 5.0% to \$82.2 million from \$78.3 million for the nine months ended April 30, 2011, compared to the same periods in the prior year. The increase in segment profit for the quarter was attributable to the increased sales volumes in addition to productivity initiatives. As a percentage of sales, segment profit declined to 27.3% from 28.0% in the third quarter of fiscal 2011 and increased slightly to 27.2% from 27.1% in the nine months ended April 30, 2011, compared to the same periods in the prior year. The increase in segment profit as a percentage of sales in the nine months ended April 30, 2011 was partially due to the increased sales volumes and the continued efforts to streamline selling expenses through strategic initiatives.

Asia-Pacific:

Asia-Pacific sales increased 4.4% to \$82.8 million for the quarter and 7.5% to \$263.3 million for the nine months ended April 30, 2011, compared to \$79.3 million and \$244.8 million for the same three and nine-month periods in the prior year. Organic sales declined 5.1% in the quarter and increased 0.4% for the nine-month periods, compared to the same periods in the previous year. Sales were positively impacted by fluctuations in the exchange rates used to translate financial results into the United States dollar, which increased sales within the region by 7.0% in the quarter and 5.6% for the nine-month period. Segment sales increased 2.5% during the quarter and 1.5% during the nine-month period as result of the fiscal 2011 acquisition of ID Warehouse. The significant decline in organic sales for the quarter was primarily due to the reduced demand from one of our largest mobile handset customers and the supply chain disruptions at several of the segment's electronic customers resulting from the earthquake in Japan. The modest increase in organic sales for the nine months ended April 30, 2011 was driven by increased sales in the consumer electronic market in addition to the expanded focus on MRO applications throughout the segment, partially offset by the decline of mobile handset sales. The segment continues to focus on the development of new value-added solutions, while continuing growth in adjacent markets.

Segment profit for the region declined 21.9% to 10.0 million from \$12.8 million for the quarter and declined 0.7% to \$38.3 million from \$38.6 million for the nine months ended April 30, 2011, compared to the same periods in the prior year. The decline in segment profit during the three and nine months ended April 30, 2011 was primarily due to the decline in organic sales as discussed above in addition to the inflationary pressures on raw materials resulting in cost increases. The segment continues to focus on driving operational excellence through its strategic sourcing initiatives. As a percentage of sales, segment profit declined to 12.1% from 16.1% in the third quarter of fiscal 2011 and to 14.5% from 15.8% in the nine months ended April 30, 2011, compared to the same periods in the prior year.

Financial Condition

Cash and cash equivalents were \$374.0 million at April 30, 2011, compared to \$314.8 million at July 31, 2010. The increase in cash of \$59.2 million was the result of cash provided by operations of \$110.4 million and the \$21.5 million effect of exchange rates, partially offset by cash used for acquisitions, capital expenditures, dividends, and debt payments during the nine months ended April 30, 2011.

The Company's working capital, excluding cash and cash equivalents, increased to \$66.8 million at April 30, 2011 from \$60.3 million at July 31, 2010. Accounts receivable and inventories increased \$14.0 million and \$7.8 million for the nine months ended April 30, 2011, respectively, due the impact of foreign currency translation on the Company's foreign balances. The net increase in current liabilities was \$17.2 million from July 31, 2010 to April 30, 2011. The increase in the current liabilities was primarily due to the Company's forward foreign exchange currency contracts designated as net investment hedges.

Cash flow from operating activities totaled \$110.4 million for the nine months ended April 30, 2011, compared to \$118.2 million for the same period last year. The decrease was primarily due to the payment of the Company's fiscal 2010 annual incentive compensation during the nine months ended April 30, 2011, whereas no incentive compensation was paid in same period in the prior year due to the elimination of the annual incentive compensation in fiscal 2009.

Cash used for acquisitions totaled \$8.0 million for the nine months ended April 30, 2011 due to the acquisition of ID Warehouse. The Company used \$30.4 million for acquisitions of Welco, Stickolor, and Securimed during the nine months ended April 30, 2010; the net cash paid for Welco, Stickolor, and Securimed was \$1.8 million, \$18.5 million, and \$10.1 million, respectively. Cash received from divestiture was \$13.0 million during the nine months ended April 30, 2011 as a result of the sale of the Teklynx business.

Capital expenditures were \$13.7 million for the nine months ended April 30, 2011, compared to \$20.9 million in the same period last year. The decrease was mainly due to the expenditures related to the new coater in the Americas segment and the increased tooling required for new products in fiscal 2010. Capital expenditures were \$26.3 million during the twelve months ended July 31, 2010. The Company expects the capital expenditures to be between \$18.0 million and \$20.0 million for the twelve months ending July 31, 2011. Net cash used in financing activities was \$62.8 million for the nine months ended April 30, 2011, due primarily to the payment of dividends of \$28.5 million and the principal debt payments of \$42.5 million, partially offset by the proceeds from the issuance of the common stock related to stock option exercises.

On November 24, 2008, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission ("SEC"), which will allow the Company to issue and sell, from time to time in one or more offerings, an indeterminate amount of Class A Non-Voting Common Stock and debt securities as it deems prudent or necessary to raise capital at a later date. The shelf registration statement became effective upon filing with the SEC. The Company plans to use the proceeds from any future offerings under the shelf registration for general corporate purposes, including, but not limited to, acquisitions, capital expenditures, and refinancing of debt.

On May 13, 2010, the Company completed a private placement of €75.0 million aggregate principal amount of senior unsecured notes to accredited institutional investors. The €75.0 million of senior notes consists of €30.0 million aggregate principal amount of 3.71% Series 2010-A Senior Notes, due May 13, 2017 and €45.0 million aggregate principal amount of 4.24% Series 2010-A Senior Notes, due May 13, 2020, with interest payable on the notes semiannually. This private placement was exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for prepaying them prior to maturity. The notes have been fully and unconditionally guaranteed on an unsecured basis by the Company's domestic subsidiaries. These unsecured notes were issued pursuant to a note purchase agreement, dated May 13, 2010.

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

On October 5, 2006, the Company entered into a \$200 million multi-currency revolving loan agreement with a group of five banks that replaced the Company's previous credit agreement. At the Company's option, and subject to certain conditions, the available amount under the credit facility may be increased from \$200 million up to \$300 million. Under the credit agreement, 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 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. On March 18, 2008, the Company entered into an amendment to the revolving loan agreement which extended the maturity date from October 5, 2011 to March 18, 2013. All other terms of the revolving loan agreement remained the same. As of April 30, 2011, there were no outstanding borrowings under the credit facility.

The Company's debt and revolving loan agreements require it to maintain certain financial covenants. The Company's June 2004, February 2006, March 2007, and May 2010 private placement debt agreements require the Company to maintain a ratio of debt to the trailing twelve months EBITDA, as defined in the debt agreements, of not more than a 3.5 to 1.0 ratio (leverage ratio). As of April 30, 2011, the Company was in compliance with the financial covenant of the June 2004, February 2006, and March 2007 private placement debt agreements, with the ratio of debt to EBITDA, as defined by the agreements, equal to 1.9 to 1.0. As of April 30, 2011, the Company was in compliance with the financial covenant of the May 2010 private placement debt agreement, with the ratio of debt to EBITDA, as defined by the agreement, equal to 1.8 to 1.0. Additionally, the Company's October 2006 revolving loan agreement requires the Company to maintain a ratio of debt to trailing twelve months EBITDA, as defined by the debt agreement, of not more than a 3.0 to 1.0 ratio. The revolving loan agreement requires the Company's trailing twelve months earnings before interest and taxes ("EBIT") to interest expense of not less than a 3.0 to 1.0 ratio (interest expense coverage). As of April 30, 2011 the Company was in compliance with the financial covenants of the revolving loan agreement, with the ratio of debt to EBITDA, as defined by the agreement, equal to 1.9 to 1.0 and the interest expense coverage ratio equal to 7.4 to 1.0.

Long-term obligations, less current obligations, as a percentage of long-term obligations, less current obligations, plus stockholders' investment were 23.7% at April 30, 2011 and 27.6% at July 31, 2010. Long-term obligations increased by \$11.3 million from July 31, 2010 to April 30, 2011 due to the negative impact of foreign currency translation on the Company's Euro-denominated debt. The increase was offset by the \$42.5 million debt payments made during the nine months ended April 30, 2011.

Stockholders' investment increased \$127.1 million during the nine months ended April 30, 2011 as a result of the Company's net income of \$79.1 million as well as the increase in the accumulated other comprehensive income of \$60.3 million due to the impact of foreign currency translation. The increase was offset by the dividends paid on Class A and Class B Common Stock of \$26.6 million and \$1.9 million, respectively.

The Company's growth has historically been funded by a combination of cash provided by operating activities and debt financing. The Company believes that its cash from operations, in addition to its borrowing capacity, are sufficient to fund its anticipated requirements for working capital, capital expenditures, restructuring activities, acquisitions, common stock repurchases, scheduled debt repayments, and dividend payments. The Company believes that its current credit arrangements are sound and that the strength of its balance sheet will allow the Company the financial flexibility to respond to both internal growth opportunities and those available through acquisition.

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 space, computer equipment and Company vehicles.

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

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

Related-Party Transactions — The Company evaluated its affiliated party transactions for the period ended April 30, 2011. Based on the evaluation the Company does not have material related party transactions that affect the results of operations, cash flow or financial condition.

Subsequent Events Affecting Financial Condition

On May 17, 2011, the Board of Directors declared a quarterly cash dividend to shareholders of the Company's Class A and Class B Common Stock of \$0.18 per share payable on July 29, 2011 to shareholders of record at the close of business on July 8, 2011.

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 the length or severity of the current worldwide economic downturn or timing or strength of a subsequent recovery; future financial performance of major markets Brady serves, which include, without limitation, telecommunications, 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 develop and successfully market new products; changes in the supply of, or price for, parts and components; increased price pressure from suppliers and customers; fluctuations in currency rates versus the US dollar; unforeseen tax consequences; potential write-offs of Brady’s substantial intangible assets; Brady’s ability to retain significant contracts and customers; risks associated with international operations; Brady’s ability to maintain compliance with its debt covenants; technology changes; business interruptions due to implementing business systems; environmental, health and safety compliance costs and liabilities; future competition; interruptions to sources of supply; Brady’s ability to realize cost savings from operating initiatives; difficulties associated with exports; risks associated with restructuring plans; risks associated with obtaining governmental approvals and maintaining regulatory compliance; 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 I of the Company’s most recently filed Form 10-K for the year ended July 31, 2010. 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, Japanese Yen, and the Korean Won. As of April 30, 2011, the amount of outstanding foreign exchange contracts was \$120,475 million. In fiscal 2010 and continuing in fiscal 2011, the Company also hedged portions of its net investments in its European foreign operations using forward foreign exchange currency contracts and Euro-denominated debt of €75.0 million designated as a hedge instrument.

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, 2011, the Company had no interest rate derivatives.

The Company is subject to the risk of changes in foreign currency exchange rates due to its operations in foreign countries. The Company has manufacturing facilities and sells and distributes its products throughout the world. As a result, the Company's financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which the Company manufactures, distributes and sells its products. The Company's operating results are principally exposed to changes in exchange rates between the U.S. Dollar and the European currencies, primarily the Euro, changes between the U.S. Dollar and the Australian Dollar, changes between the U.S. Dollar and the Canadian Dollar, and changes between the U.S. Dollar and the Chinese Yuan. Changes in foreign currency exchange rates for the Company's foreign subsidiaries reporting in local currencies are generally reported as a component of shareholders' equity. The Company's currency translation adjustments recorded for the three and nine months ended April 30, 2011 were \$30.5 million favorable and \$60.3 million favorable, respectively. The Company's currency translation adjustments recorded for the three and nine months ended April 30, 2010 were \$1.8 million unfavorable and \$4.0 million favorable, respectively. As of April 30, 2011 and 2010, the Company's foreign subsidiaries had net current assets (defined as current assets less current liabilities) subject to foreign currency translation risk of \$411.2 million and \$221.7 million, respectively. The potential increase in the net current assets as of April 30, 2011 from a hypothetical 10 percent adverse change in quoted foreign currency exchange rates would be \$41.1 million. This sensitivity analysis assumes a parallel shift in foreign currency exchange rates. Exchange rates rarely move in the same direction relative to the U.S. Dollar. This assumption may overstate the impact of changing exchange rates on individual assets and liabilities denominated in a foreign currency.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

ITEM 6. Exhibits

(a) Exhibits

10.1	Brady Corporation Executive Deferred Compensation Plan, as amended
10.2	Brady Corporation Directors' Deferred Compensation 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 Thomas J. Felmer
32.1	Section 1350 Certification of Frank M. Jaehnert
32.2	Section 1350 Certification of Thomas J. Felmer
101	Interactive Data File

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

SIGNATURES

BRADY CORPORATION

Date: June 7, 2011

/s/ Frank M. Jaehnert

Frank M. Jaehnert
President & Chief Executive Officer

Date: June 7, 2011

/s/ Thomas J. Felmer

Thomas J. Felmer
Senior Vice President & Chief Financial Officer
(Principal Financial Officer)

BRADY CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN
AS AMENDED AND RESTATED EFFECTIVE FEBRUARY 17, 2011

ARTICLE I

INTRODUCTION

For periods prior to calendar year 2005, Brady Corporation has maintained the Brady Corporation Executive Deferred Compensation Plan by means of a series of individual deferred compensation agreements with covered executives. Amounts deferred prior to January 1, 2005 (which were all fully vested under Plan terms), including past and future earnings credited thereon, shall remain subject to the terms of those individual agreements as previously in effect (the "Frozen Agreements") but no further amounts shall be deferred under the Frozen Agreements. All deferrals to the Plan for periods on or after January 1, 2005 shall be governed by the terms and provisions of this document. Except as provided in Sections 4.2(b)(x) and 6.1(a)(iii)(C) below, nothing in this document shall apply to amounts deferred prior to 2005 and past and future earnings credited thereon. This document is intended to comply with the provisions of Section 409A of the Internal Revenue Code and shall be interpreted accordingly. If any provision or term of this document would be prohibited by or inconsistent with the requirements of Section 409A of the Code, then such provision or term shall be deemed to be reformed to comply with Section 409A of the Code. This Plan is further amended and restated, effective as of February 17, 2011, to revise and clarify certain Plan terms regarding the investment of amounts in the Brady Stock Fund.

ARTICLE II

DEFINITIONS

The following definitions shall be applicable throughout the Plan:

2.1 "Account" means the account credited from time to time with bookkeeping amounts equal to the portions of a Participant's compensation deferred pursuant to Section 3.2 and earnings credited on such amounts in accordance with Article IV.

2.2 "Administrator" means the Compensation Committee of the Board of Directors of Brady Corporation.

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

2.4 “Code” means the Internal Revenue Code of 1986, including any subsequent amendments.

2.5 “Corporation” means Brady Corporation, and each of its affiliates which has adopted the Plan or may adopt the Plan. Currently, the additional sponsoring affiliates are Tricor Direct, Inc. and Brady Worldwide, Inc. The term “Corporation” as used throughout this Plan shall include references to those affiliates of Brady Corporation which have also adopted the Plan; provided, however, that for purposes of the power to amend or terminate the Plan or take any other action under or with respect to the Plan, except for the payment of benefits, the term “Corporation” shall refer only to Brady Corporation.

2.6 “Effective Date” means February 17, 2011. This document describes how this Plan has been administered for periods after 2004 and prior to February 17, 2011 and how it shall be administered for periods on and after February 17, 2011.

2.7 “ERISA” means the Employee Retirement Income Security Act of 1974, including any subsequent amendments.

2.8 “Fiscal Year” means the period beginning August 1 and ending July 31.

2.9 “Participant” means a key management or highly compensated employee designated as eligible to participate in the Plan for a Plan Year under Section 3.1 (such persons shall be known as “Active Participants” for such Plan Year) and any person who previously participated in the Plan and is entitled to benefits.

2.10 “Performance Based Bonus” means bonus compensation, the amount of which or entitlement to, is based on services performed over a period of at least 12 consecutive months which is contingent on the satisfaction of pre-established organizational or individual performance criteria, which performance criteria are not substantially certain to be met at the time a deferral election is permitted. Performance Based Bonus compensation may include payments based upon subjective performance criteria, but (i) any subjective performance criteria must relate to the performance of the Participant service provider, a group of service providers that includes the Participant service provider, or a business unit for which the Participant provides services (which may include the entire organization) and (ii) the determination that any subjective performance criteria have been met must not be made by the Participant or a family member of the Participant (as defined in Code Section 267(c)(4) applied as if the family of an individual includes the spouse of any family member). Organizational or individual performance criteria are considered pre-established if established in writing by not later than 90 days after the commencement of the period of service to which the criteria relate, provided that the outcome is substantially uncertain at the time the criteria are established. A Performance Based Bonus may include payments based on performance criteria that are not approved by the Administrator or by the stockholders of the Corporation. A Performance Based Bonus shall not include any amount or portion of any amount that will be paid either regardless of performance, or based upon a level of performance that is substantially certain to be met at the time the criteria are established. Whether a bonus is performance based shall be determined in accordance with the requirements of IRS Reg. Section 1.409A-1 (e) which are summarized in part in this Section 2.10.

2.11 "Plan" means the Brady Corporation Executive Deferred Compensation Plan, as set forth herein, as applicable to amounts deferred after calendar year 2004, and as it may be amended from time to time.

2.12 "Plan Year" means the calendar year.

2.13 "Separation from Service" shall have the meaning set forth in IRS Regulation Section 1.409A-1 the requirements of which are summarized in part as follows:

(a) In General. The Participant shall have a Separation from Service with the Corporation if the Participant dies, retires, or otherwise has a termination of employment with the Corporation. However, for purposes of this Section 2.13, the employment relationship is treated as continuing intact while the individual is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the individual retains a right to reemployment with the Corporation under an applicable statute or by contract. For purposes of this paragraph (a) of this Section 2.13, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for the Corporation. If the period of leave exceeds six months and the individual does not retain a right to reemployment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Participant to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period.

(b) Termination of Employment. Whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the Corporation and Participant reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Participant would perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or, the full period of services to the Corporation if the Participant has been providing services to the Corporation less than 36 months). Facts and circumstances to be considered in making this determination include, but are not limited to, whether the Participant continues to be treated as an employee for other purposes (such as continuation of salary and participation in employee benefit programs), whether similarly situated service providers have been treated consistently, and whether the Participant is permitted, and realistically available, to perform services for other service recipients in the same line of business. The Participant is presumed to have Separated from Service where the level of bona fide services performed decreases to a level equal to 20 percent or less of the average level of services performed by the employee during the immediately preceding 36-month period. The Participant will be presumed not to have Separated from Service where the level of bona fide services performed continues at a level that is 50 percent or more of the average level of service performed by the Participant during the

immediately preceding 36-month period. No presumption applies to a decrease in the level of bona fide services performed to a level that is more than 20 percent and less than 50 percent of the average level of bona fide services performed during the immediately preceding 36-month period. The presumption is rebuttable by demonstrating that the Corporation and the Participant reasonably anticipated that as of a certain date the level of bona fide services would be reduced permanently to a level less than or equal to 20 percent of the average level of bona fide services provided during the immediately preceding 36-month period or the full period of services to the Corporation if the Participant has been providing services to the Corporation less than 36 months (or that the level of bona fide services would not be so reduced). For example, the Participant may demonstrate that the Corporation and the Participant reasonably anticipated that the Participant would cease providing services, but that, after the original cessation of services, business circumstances such as termination of the Participant's replacement caused the Participant to return to employment. Although the Participant's return to employment may cause the Participant to be presumed to have continued in employment because the Participant is providing services at a rate equal to the rate at which the Participant was providing services before the termination of employment, the facts and circumstances in this case would demonstrate that at the time the Participant originally ceased to provide services, the Corporation reasonably anticipated that the Participant would not provide services in the future. For purposes of this paragraph (b), for periods during which the Participant is on a paid bona fide leave of absence (as defined in paragraph (a) of this Section 2.13) and has not otherwise terminated employment pursuant to paragraph (a) of this Section 2.13, the Participant is treated as providing bona fide services at a level equal to the level of services that the Participant would have been required to perform to receive the compensation paid with respect to such leave of absence. Periods during which the Participant is on an unpaid bona fide leave of absence (as defined in paragraph (a) of this Section 2.13) and has not otherwise terminated employment pursuant to paragraph (a) of this Section 2.13, are disregarded for purposes of this paragraph (b) of this Section 2.13 (including for purposes of determining the applicable 36-month (or shorter) period).

(c) Asset Purchase Transactions. Where as part of a sale or other disposition of assets by the Corporation as seller to an unrelated service recipient (buyer), a Participant of the Corporation would otherwise experience a Separation from Service with the Corporation, the Corporation and the buyer may retain the discretion to specify, and may specify, whether a Participant providing services to the Corporation immediately before the asset purchase transaction and providing services to the buyer after and in connection with the asset purchase transaction has experienced a Separation from Service, provided that the asset purchase transaction results from bona fide, arm's length negotiations, all service providers providing services to the Corporation immediately before the asset purchase transaction and providing services to the buyer after and in connection with the asset purchase transaction are treated consistently (regardless of position at the Corporation) for purposes of applying the provisions of any nonqualified deferred compensation plan, and such treatment is specified in writing no later than the closing date of the asset purchase transaction. For purposes of this paragraph (c), references to a sale or other disposition of assets, or an asset purchase transaction, refer only to a transfer of substantial assets, such as a plant or division or substantially all the assets of a trade or business.

(d) Dual Status. If a Participant provides services both as an employee of the Corporation and as an independent contractor of the Corporation, the Participant must separate from service both as an employee and as an independent contractor to be treated as having Separated from Service. If a Participant ceases providing services as an independent contractor and begins providing services as an employee, or ceases providing services as an employee and begins providing services as an independent contractor, the Participant will not be considered to have a Separation from Service until the Participant has ceased providing services in both capacities. Notwithstanding the foregoing, if a Participant provides services both as an employee of the Corporation and a member of the board of directors of the Corporation, the services provided as a director are not taken into account in determining whether the Participant has a Separation from Service as an employee for purposes of this Plan unless this Plan is aggregated with any plan in which the Participant participates as a director under IRS Regulation Section 1.409A-1(c)(2)(ii).

2.14 “Specified Employee” shall have the meaning set forth in IRS Regulation Section 1.409A-1 the requirements of which are summarized in part as follows:

(a) In General. “Specified Employee” means a Participant who as of the date of his Separation from Service is a “key employee” as defined in Code Section 416(i) (disregarding Section 416(i)(5)), i.e., an employee who at any time during the 12 month period ending on an identification date is an officer of the Corporation or one of its affiliates having an annual compensation as defined in IRS Regulation Section 1.409A-1(i)(2) greater than \$130,000, a 5% owner of the Corporation or one of its affiliates or a 1% owner of the Corporation or one of its affiliates having compensation of more than \$150,000. The \$130,000 amount described in the preceding sentence shall be adjusted for cost of living increases in such amounts and at such times as specified by the Internal Revenue Service. Further, no more than 50 employees (or, if lesser, the greater of 3 or 10% of the employees) shall be treated as officers. The foregoing definition shall be interpreted at all times in a manner consistent with such regulations as may be adopted from time to time by the Internal Revenue Service for purposes of applying the key employee definition of Section 416(i) to the requirements of Code Section 409A. If a person is a key employee as of an identification date, the person is treated as a Specified Employee for the 12-month period beginning on the first day of the fourth month following the identification date. The “identification date” is December 31.

(b) In the event of a public offering, merger, acquisition, spin-off, reorganization or other corporate transaction, “Specified Employees” shall be determined as provided in IRS Reg. Section 1.409A-1(i)(6).

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

ARTICLE III

PARTICIPATION AND DEFERRALS

3.1 Determination of Participants. Within a reasonable period of time prior to the beginning of a Plan Year or at any time during a Plan Year, the Administrator will designate employees who will be eligible to become Active Participants in the Plan for that Plan Year (or the remainder of such Plan Year). An employee designated as an Active Participant for a Plan Year shall remain an Active Participant until the employee's Separation from Service or the Administrator or the Board of Directors of the Corporation takes action to terminate such employee's participation effective on the first day of any Plan Year subsequent to the date of such action by the Administrator or the Board.

3.2 Deferral Elections.

(a) Salary Payments. An Active Participant may elect to defer a specified percentage of his salary for services performed during a Plan Year by completing and filing such forms as required by the Corporation prior to the first day of the Plan Year. A Participant's deferrals shall be taken at a uniform percentage rate from each of his salary payments during the year. Compensation deferred shall be retained by the Corporation, credited to the Participant's Account pursuant to Section 4.1 and paid in accordance with the terms and conditions of the Plan. An employee who is not already eligible to participate in any other deferred compensation plan of the account balance type who becomes an Active Participant for the first time during a Plan Year (for example, an employee designated to be a Participant by the Administrator upon hire or promotion) may within 30 days after the effective date of participation make an election to defer a specified percentage of salary to be paid to him for services to be performed subsequent to the deferral election.

(b) Bonus Payments. An Active Participant may elect to defer a portion of any and all bonus payments made to him during a Plan Year by completing and filing such forms as required by the Corporation. To the extent a bonus payment represents a payment of a Performance Based Bonus, to be effective the deferral election with respect to such bonus must be filed with the Corporation at least seven months prior to the end of the period in which the bonus payment is earned. If a bonus payment is not a Performance Based Bonus but is calculated on a Fiscal Year basis, then to be effective the deferral election must be filed prior to the beginning of the Fiscal Year during which the Participant first renders any services giving rise to the payment of the bonus. If a bonus is not a Performance Based Bonus and is not calculated on a Fiscal Year basis, to be effective, the deferral election must be filed prior to the beginning of the first Plan Year in which are performed any services for which such bonus is payable. An employee who is not already eligible to participate in any other deferred compensation plan sponsored by the Corporation of the account balance type who becomes an Active Participant for the first time during a Plan Year (for example, an employee designated to be a Participant by the Administrator upon hire or promotion) may within 30 days after the effective date of participation make an election to defer a specified percentage of any bonus payment for which the service period has already begun and, in such event, the election shall apply to the portion of bonus compensation equal to the total bonus compensation to be paid to the Participant with respect to that service period multiplied by a fraction of which the numerator is the number of days remaining in the performance period and the denominator is the total number of days in the performance period.

3.3 Continued Effect of Elections.

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

(b) Bonus Payments. An Active Participant's deferral election under Section 3.2(b) with respect to a bonus shall be irrevocable after the last date upon which it may be filed pursuant to Section 3.2(b) and shall continue in effect with respect to bonuses earned in subsequent performance periods until prospectively revoked or amended in writing. For a revocation or amendment to be effective for any bonus payment, it must be filed by the last date for which an effective deferral election is permitted to be filed with respect to that bonus payment under Section 3.2(b).

3.4 Prior Deferral Elections. Any deferral election made prior to calendar year 2005 under a Frozen Agreement shall be treated as a deferral election described in Section 3.2(a) and/or Section 3.2(b), as the case may be, and shall continue in effect until modified as described in Section 3.3 above unless modified earlier pursuant to Section 8.14(a) below.

3.5 Unforeseeable Emergency. In the event that a Participant makes application for a hardship distribution under Section 6.3 and the Administrator determines that an Unforeseeable Emergency exists, all deferral elections otherwise in effect under this Article III and any other nonqualified deferred compensation plan of the account balance type sponsored by the Corporation shall immediately terminate upon such determination. To resume deferrals thereafter, a Participant must make an election satisfying the provisions of Section 3.2(a) and/or (b), as the case may be, as those provisions apply to someone who is already an Active Participant in the Plan.

3.6 401(k) Hardship. Any deferral elections in effect under this Article III shall be cancelled as required due to a hardship distribution described in IRS Regulation Section 1.401(k)-1(d)(3) or any successor thereto. To resume deferrals after the required suspension period, a Participant must make an election satisfying the provisions of Section 3.2(a) and/or (b), as the case may be, as those provisions apply to someone who is already an Active Participant in the Plan.

ARTICLE IV

ACCOUNTS

4.1 Credits to Account. Bookkeeping amounts equal to the amounts deferred by a Participant pursuant to Section 3.2 shall be credited to such Participant's Deferral Account as soon as practicable after the deferred compensation would otherwise have been paid to such Participant in the absence of deferral.

4.2 Valuation of Account.

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

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

(ii) On the date credited to the Participant's Account, deferrals shall be deemed to be invested in one or more of the investment funds designated by the Participant for such deemed investment; provided that any deferrals designated for investment in the Brady Stock Fund shall initially be credited to the General Investment Sub-account and transferred to the Brady Stock Sub-account on a quarterly basis. Once made, the Participant's investment designation shall continue in effect for all future deferrals until changed by the Participant. Any such change may be prospectively elected by the Participant at the times established by the Administrator, which shall be no less frequently than quarterly, and shall be effective only for deferrals, credited from and after its effective date. Until such time as the Administrator takes action to the contrary, such changes may be elected at the same times as changes may be elected with respect to the Brady Matched 401(k) Plan.

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

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

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

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

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

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

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

(x) Notwithstanding subparagraph (ix) above, from and after May 1, 2006, a Participant may not shift any amounts from his Brady Stock Sub-account to his General Investment Sub-account or vice-versa. Notwithstanding Article I and Section 2.11 of this Plan to the contrary, the rule of this subparagraph (x) shall apply to all amounts held for a Participant under a Frozen Agreement as well, meaning that from and after May 1, 2006, a Participant shall not be entitled to transfer any amount to or from the portion of his account held in the Brady Stock Fund under the Frozen Agreement. The preceding sentence shall not apply to a Participant who has had a Separation from Service prior to May 1, 2006.

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

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

ARTICLE V

VESTING

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

ARTICLE VI

MANNER AND TIMING OF DISTRIBUTION

6.1 Payment of Benefits.

(a) After a Participant's Separation from Service the Participant's Account shall be paid to the Participant (or in the event of the Participant's death, to the Participant's Beneficiary). Payment shall be made in one of the following forms as specified in the Participant's payment election pursuant to Section 6.2:

(i) Single Sum. A single sum distribution of the value of the balance of the Account on the first day of October following the Participant's Separation from Service; or

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

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

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

(iii) In Cash or In Stock. Prior to May 1, 2006 all payments shall be made in cash. From and after May 1, 2006, payments shall be made in cash and/or Class A non-voting common stock of Brady Corporation pursuant to the following:

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

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

(C) Notwithstanding Article I and Section 2.11 of this Plan to the contrary, the rule of this sub-paragraph (iv) shall apply to amounts held for a Participant under a Frozen Agreement from and after May 1, 2006. The preceding sentence shall not apply to a Participant who has had a Separation from Service prior to May 1, 2006.

(b) In the case of a Participant who is a Specified Employee, payment pursuant to paragraph (a) above shall commence no earlier than the first day of the seventh month following the Participant's Separation from Service. This delay in distribution rule does not apply if the payment is being made as a result of the Participant's death or disability. For this purpose, "disability" means that the Participant:

(i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or

(ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continued period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering the employees of the Corporation or one of its affiliates in which the Participant is covered.

6.2 Payment Election. An individual who first becomes an Active Participant at the beginning of a Plan Year who is provided with prior written notice of the effective date of participation shall complete a payment election form specifying the form of payment applicable to such Participant's Account under the Plan. Absent an actual election by such Participant by the effective date of participation, the Participant shall be deemed to have elected payment in the five (5) annual installment payment form. An individual who first becomes an Active Participant other than on the first day of a Plan Year shall complete a payment election form specifying the form of payment applicable to such Participant's Account no later than 30 days after the effective date of participation. In the event such a Participant does not make an actual election within such 30 day period, the Participant shall be deemed to have elected the five (5) annual installment payment form; provided, however, that if such Participant is already a participant in any other nonqualified plan or plans sponsored by the Corporation of the account balance type, the most recent payment election with respect to any one of those plans shall be the payment election form deemed elected under this Plan regardless of whether the individual elects a different payment election form during that initial 30 day period. A Participant may change the form of payment by completing and filing a new payment election form with the Corporation, and the payment election form on file with the Corporation as of the date of the Participant's Separation from Service shall be controlling. Notwithstanding the foregoing, a payment election form changing the Participant's form of payment shall not be effective if the Participant has a Separation from Service within twelve months after the date on which the election change is filed with the Corporation. Any change in payment method must have the effect of delaying the commencement of payments to a date which is at least five (5) years following the initially scheduled commencement date of payment previously in effect. For purposes of compliance with Section 409A of the Internal Revenue Code, a series of five year installment payments, ten year installment payments and twenty year installment payments are each designated as a single payment rather than a right to a series of separate payments; therefore, a Participant who has elected (or is deemed to have elected) any option under Section 6.1 may substitute any of the other options for the option originally elected as long as the foregoing one-year and five year rules are satisfied. A switch from the percentage method to the fixed dollar method or vice versa and a switch from either of those methods to the fractional method or vice versa is considered a substitution of a new option for the original option for purposes of this rule even if the number of yearly installments is not changed. The five year delay rule does not apply if the revised payment method applies only upon the Participant's death or disability. For this purpose, disability has the same meaning as in Section 6.1(b). In the event that the Participant's new payment election would not be effective under the foregoing rules, the payment election from previously in effect shall be controlling.

6.3 Financial Hardship. A partial or total distribution of the Participant's Account shall be made prior to Separation from Service upon the Participant's request and a demonstration by the Participant of severe financial hardship as a result of an Unforeseeable Emergency. Such distribution shall be made in a single sum as soon as administratively practicable following the Administrator's determination that the foregoing requirements have been met. In any case, a distribution due to Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under Section 3.2 and any other nonqualified deferred compensation plan of the account balance type sponsored by the Corporation. Distributions because of an Unforeseeable Emergency must be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution). Determinations of amounts reasonably necessary to satisfy the emergency need must take into account any additional compensation that is available because of cancellation of a deferral election under Section 3.2 and any other nonqualified deferred compensation plan of the account balance type sponsored by the Corporation upon a payment due to an Unforeseeable Emergency. The payment may be made from any arrangement in which the Participant participates that provides for payment upon an Unforeseeable Emergency, provided that the arrangement under which the payment was made must be designated at the time of payment.

6.4 Delayed Distribution.

(a) A payment otherwise required to be made pursuant to the provisions of this Article VI shall be delayed if the Corporation reasonably anticipates that the Corporation's deduction with respect to such payment would be limited or eliminated by application of Code Section 162(m); provided, however that such payment shall be made on the earliest date on which the Corporation anticipates that the deduction of the payment of the amount will not be limited or eliminated by application of Code Section 162(m). In any event, such payment shall be made no later than the last day of the calendar year in which the Participant has a Separation from Service or, in the case of a Specified Employee, the last day of the calendar year in which occurs the six (6) month anniversary of such Separation from Service.

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

(c) A payment otherwise required under this Article VI shall be delayed if the Corporation reasonably anticipates that the making of the payment will violate federal securities laws or other applicable law; provided, however, that payments shall nevertheless be made on the earliest date on which the Corporation reasonably anticipates that the making of the payment will not cause such violation. (The making of a payment that would cause inclusion in gross income or the applicability of any penalty provision or other provision of the Code is not treated as a violation of applicable law.)

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

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

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

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

ARTICLE VII

ADMINISTRATION

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

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

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

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

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

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

7.6 Claims Procedure.

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

- (i) the specific reasons for the denial;
- (ii) specific reference to pertinent provisions of the Plan on which the denial is based;
- (iii) if applicable, a description of any additional information or material necessary to perfect the claim, an explanation of why such information or material is necessary, and an explanation of the claims review procedure; and
- (iv) a description of the Plan's claims review procedure, including a statement of the Claimant's right to bring a civil action under Section 502 of ERISA if the Claimant's claim is denied upon review.

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

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

ARTICLE VIII

MISCELLANEOUS

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

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

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

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

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

8.5 Status of Plan Under ERISA. The Plan is intended to be an unfunded plan maintained by the Corporation primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, as described in Section 201(2), Section 301(a)(3), Section 401(a)(1) and Section 4021(b)(6) of ERISA.

8.6 Withholding. The Corporation shall comply with all applicable tax and governmental withholding requirements. To the extent required by law, the Corporation shall withhold any taxes required to be withheld by the federal or any state or local government from payments made hereunder or from any other amounts paid to a Participant by the Corporation. If FICA taxes must be withheld in connection with amounts credited hereunder before payments are otherwise due hereunder and if there are no other wages from which to withhold them, the Corporation shall pay such FICA taxes generated by such payment (and taxes under Code Section 3401 triggered thereby and additional taxes under Section 3401 attributable to pyramiding of Section 3401 wages and taxes) but no more and the Participant's Account hereunder shall be reduced by an amount equal to the payments made by the Corporation. Any such distribution shall be taken on a pro rata basis from the Participant's General Investment Sub-account and Brady Stock Sub-account in the manner described in Section 6.1(a)(iv)(B).

8.7 No Right to Continued Employment. Neither participation in this Plan, nor the payment of any benefit hereunder, shall be construed as giving to a Participant any right to be retained in the service of the Corporation, or limiting in any way the right of the Corporation to terminate the Participant's service at any time. Nor does participation in this Plan guarantee the Participant the right to be continued in service in any particular position or at any particular rate of compensation.

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

8.9 Unsecured Claim; Grantor Trust. The right of a Participant to receive payment hereunder shall be an unsecured claim against the general assets of the Corporation, and no provisions contained herein, nor any action taken hereunder shall be construed to give any individual at any time a security interest in any asset of the Corporation, of any affiliated corporation, or of the stockholders of the Corporation. The liabilities of the Corporation to a Participant hereunder shall be those of a debtor pursuant to such contractual obligations as are created hereunder and to the extent any person acquires a right to receive payment from the Corporation hereunder, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

The Corporation may establish a grantor trust (but shall not be required to do so) to which the Corporation may in its discretion contribute (subject to the claims of the general creditors of the Corporation) the amounts credited to the Account. If a grantor trust is so established, payment by the trust of the amounts due the Participant or his Beneficiary hereunder shall be considered a payment by the Corporation for purposes of this Plan.

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

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

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

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

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

(a) A Participant may on or before March 15, 2005 make a new deferral election to apply to amounts which would otherwise be paid in calendar year 2005; provided that such amounts have not been paid or become payable at the time of the election. Such election shall remain in effect for future years until modified pursuant to Section 3.3(a) and/or (b), as the case may be.

(b) On or before December 31, 2007, a Participant may make an election as to distribution of his Account from among the choices described at Section 6.1 hereof without complying with the rules described in Section 6.2 hereof as long as the effect of the election is not to accelerate payments into 2006 or to defer payments which would otherwise have been made in 2006, and as long as the effect of the election is not to accelerate the payments into 2007 or to defer payments which would otherwise have been made in 2007. Such election shall become effective after the last day upon which it is permitted to be made. However, in order to subsequently change such special election after December 31, 2007, the requirements of Section 6.2 hereof must be satisfied. (This election will not apply to distribution of the Participant's accounts holding amounts earned and vested prior to January 1, 2005, if any, (and earnings credited thereon) since such accounts are not governed by this document but are governed by the Frozen Plan.)

IN WITNESS WHEREOF, the Corporation has caused its duly authorized officer to execute this Plan document on its behalf as of the 17th day of February, 2011.

BRADY CORPORATION

By: /s/ Frank M. Jaehnert

Attest: /s/ Thomas J. Felmer

BRADY CORPORATION
DIRECTORS' DEFERRED COMPENSATION PLAN
AS AMENDED AND RESTATED EFFECTIVE FEBRUARY 17, 2011

ARTICLE I

INTRODUCTION

1.1 For periods prior to calendar year 2005, Brady Corporation has maintained the Brady Corporation Directors' Deferred Compensation Plan by means of a series of individual deferred compensation agreements with covered directors. This amended and restated document shall apply to those prior agreements with respect to both investment and distribution of amounts deferred before 2005 and after 2004 and with respect to rules for making deferrals after 2004. This document is intended to comply with the provisions of Section 409A of the Internal Revenue Code and shall be interpreted accordingly. If any provision or term of this document would be prohibited by or inconsistent with the requirements of Section 409A of the Code, then such provision or term shall be deemed to be reformed to comply with Section 409A of the Code. This Plan is amended and restated, effective as of February 17, 2011.

ARTICLE II

DEFINITIONS

The following definitions shall be applicable throughout the Plan:

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

2.2 "Administrator" means the Board of Directors of Brady Corporation.

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

2.4 “Code” means the Internal Revenue Code of 1986, including any subsequent amendments.

2.5 “Corporation” means Brady Corporation.

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

2.7 “Effective Date” means February 17, 2011. This document describes how this Plan has been administered for periods after 2004 and prior to February 17, 2011 and how it shall be administered for periods on and after February 17, 2011.

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

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

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

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

2.12 “Plan Year” means the calendar year.

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

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

ARTICLE III

DEFERRALS

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

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

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

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

ARTICLE IV

ACCOUNTS

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

4.2 Valuation of Account.

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

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

(ii) On the date credited to the Participant's Account, deferrals shall be deemed to be invested in one or more of the investment funds designated by the Participant for such deemed investment; provided that any deferrals designated for investment in the Brady Stock Fund shall initially be credited to the General Investment Sub-account and transferred to the Brady Stock Sub-account on a quarterly basis. Once made, the Participant's investment designation shall continue in effect for all future deferrals until changed by the Participant. Any such change may be prospectively elected by the Participant at the times established by the Administrator, which shall be no less frequently than quarterly, and shall be effective only for deferrals, credited from and after its effective date. Until such time as the Administrator takes action to the contrary, such changes may be elected at the same times as changes may be elected with respect to the Brady Matched 401(k) Plan.

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

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

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

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

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

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

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

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

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

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

ARTICLE V

VESTING

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

ARTICLE VI

MANNER AND TIMING OF DISTRIBUTION

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

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

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

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

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

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

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

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

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

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

6.4 Delayed Distribution.

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

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

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

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

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

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

ARTICLE VII

ADMINISTRATION

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

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

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

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

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

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

7.6 Claims Procedure.

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

- (i) the specific reasons for the denial;
- (ii) specific reference to pertinent provisions of the Plan on which the denial is based;
- (iii) if applicable, a description of any additional information or material necessary to perfect the claim, an explanation of why such information or material is necessary, and an explanation of the claims review procedure; and
- (iv) a description of the Plan's claims review procedure, including a statement of the Claimant's right to bring a civil action under Section 502 of ERISA if the Claimant's claim is denied upon review.

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

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

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

ARTICLE VIII

MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the Corporation has caused its duly authorized officer to execute this Plan document on its behalf as of the 17th day of February, 2011, to replace any prior version of this Plan previously adopted by the Corporation.

BRADY CORPORATION

By: /s/ Frank M. Jaehnert

Attest: /s/ Thomas J. Felmer

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, 2011

/s/ FRANK M. JAEHNERT

Frank M. Jaehnert

President and Chief Executive Officer

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

I, Thomas J. Felmer, certify that:

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

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material 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, 2011

/s/ THOMAS J. FELMER

Thomas J. Felmer

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, 2011 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, 2011

/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, 2011 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, 2011

/s/ THOMAS J. FELMER

Thomas J. Felmer

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.