BRADY CORP
Form 8-K/A
August 03, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

AMENDMENT NO.1

CURRENT REPORT

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

Date of Report (Date of earliest event reported):
May 20, 2004

Commission File Number 1-14959

BRADY CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin	39-0971239
(State of Incorporation)	(IRS Employer Identification No.)

6555 West Good Hope Road

Milwaukee, Wisconsin 53223
(Address of Principal Executive Offices and Zip Code)

(414) 358-6600

(Registrant's Telephone Number)

Item 2. ACQUISITION OR DISPOSITION OF ASSETS

On June 1, 2004, Brady Corporation filed a Current Report on Form 8-K to report the completion of its acquisition of EMED Co., Inc. ("EMED") on May 20, 2004. Pursuant to Item 7 of Form 8-K, Brady Corporation indicated that it would file certain financial information under Item 7 of Form 8-K by amendment no later than the date required. This Amendment is filed to provide the required financial information and to amend the language of Sections (a), (b), and (c) of Item 7.

On May 20, 2004, Brady Corporation completed its acquisition of all of the outstanding securities of EMED pursuant to the Securities Purchase Agreement.

The total purchase price of the EMED acquisition was $191.8 million, net of cash received. Brady originally funded the EMED acquisition with debt of $160 million from its recently renegotiated 5-year credit facility as well as a new 364-day facility and the remainder from internal funds. The 5-year and 364-day facilities were initially drawn at an all-in interest rate of 2.1%. These facilities were kept in place until July 21, 2004 and June 28, 2004 respectively. On July 1, Brady announced that it had completed a private placement of $150 million of 5.14% senior notes due in 2014. The notes, which will be amortized over 7 years beginning in 2008, were offered and sold to institutional accredited investors in a private placement pursuant to the terms of a Note Purchase Agreement dated June 28, 2004, which is attached hereto as Exhibit 10.1 and incorporated herein by reference.

The Securities Purchase Agreement dated April 2, 2004 and the press release dated May 21, 2004 were filed as Exhibits 2.1 and 99, respectively, to Brady Corporation's Form 8-K filed on June 1, 2004 and are incorporated herein by reference. The foregoing is qualified in its entirety by reference to such documents.

Item 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements of business acquired

The following financial statements are filed as part of this Current Report on Form 8-K/A:

EMED consolidated financial statements as of December 31, 2003 and 2002 and for the years then ended.

EMED consolidated financial statements as of March 31, 2004 and the three months ended March 31, 2004 and 2003.

(b) Pro forma financial information

The following unaudited pro forma condensed consolidated financial information is filed as part of this Current Report on Form 8-K/A:

Pro forma condensed consolidated balance sheet as of April 30, 2004.

Pro forma condensed consolidated statement of operations for the nine months ended April 30, 2004.

Pro forma condensed consolidated statement of operations for the year ended July 31, 2003.

Notes to pro forma condensed consolidated financial statements as of and for the nine months ended April 30, 2004 and the year ended July 31, 2003.

(c)	Exhibits
*2.1	Securities Purchase Agreement, dated April 2, 2004, among Brady Corporation, EMED Co., Inc., Summit/EMED Holdings, LLC and the Selling Holders named therein.
10.1	Note Purchase Agreement dated June 28, 2004.
23.1	Consent of PricewaterhouseCoopers LLP (Independent Accountants for EMED).
*99	Press release of Brady Corporation dated May 21, 2004.

* Previously filed as Exhibits to our Current Report on Form 8-K filed with the Commission on June 1, 2004, and incorporated herein by reference.

EMED CO., INC .
FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

EMED CO., INC.
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and
Shareholders of EMED Co., Inc.

In our opinion, the accompanying balance sheets and the related statements of income, shareholders' deficit and cash flows present fairly, in all material respects, the financial position of EMED Co., Inc. (the "Company") at December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

February 13, 2004

EMED CO., INC.
BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

	2003
ASSETS	
Current assets:	
Cash and cash equivalents	$ 497,079
Accounts receivable	3,813,524
Inventory	3,934,706
Prepaid catalog costs	2,476,119
Prepaid expenses and other assets	242,302
Total current assets	10,963,730
Property and equipment, net	5,662,262
Other assets	539,040
Deferred income taxes	41,131,000
Total assets	$ 58,296,032
LIABILITIES AND SHAREHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable	$ 1,763,837
Accrued expenses	1,063,025
Accrued interest	689,601
Current portion of long-term debt	19,731,250
Total current liabilities	23,247,713
Long-term debt	49,687,593
Shareholders' deficit:	
Series A - 8% cumulative redeemable preferred stock, $100 per share redemption value; 419,000 shares authorized, issued and outstanding	41,900,000
Series A - 8% cumulative redeemable preferred stock - accrued dividend	18,144,727
Common stock, $.01 par value; 1,005,000 shares authorized, 123,075 shares issued and outstanding	1,229
Additional paid-in-capital	4,040
Accumulated other comprehensive loss	(120,716)
Accumulated deficit	(74,568,554)
Total shareholders' deficit	(14,639,274)
Total liabilities and shareholders' deficit	$ 58,296,032

The accompanying notes are an integral part of these financial statements

EMED CO., INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003
Sales	$55,340,014
Cost of sales:	
Material costs	7,423,258
Production labor	2,072,744
Other	599,793
Total cost of sales	10,095,795
Gross margin	45,244,219
Operating expenses	2,319,377
Selling expenses	2,352,009
Total operating and selling	4,671,386
Marketing expenses	12,049,640
General and administrative	4,257,668
Depreciation	632,936
Income from operations	23,632,589
Other income (expense):	
Interest income	12,720
Interest expense	(7,007,105)
Other income	316
	(6,994,069)
Income before provision for income taxes	16,638,520
Provision for income taxes	6,077,000
Net income	$10,561,520

The accompanying notes are an integral part of these financial statements

EMED CO., INC.
STATEMENTS OF SHAREHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	EMED CO., INC. $0.01 PAR COMMON STOCK		ADDITIONAL PAID-IN-CAPITAL	
	SHARES	AMOUNT	AMOUNT	SH
BALANCES AT DECEMBER 31, 2001	122,860	1,227	3,827	41
Net income	--	--	--	
Other comprehensive income:				
Change in fair value of interest rate swap (net of taxes)	--	--	--	
Total comprehensive income				
Common stock issued	215	2	213	
Series A Preferred Stock dividend	--	--	--	
BALANCES AT DECEMBER 31, 2002	123,075	$ 1,229	$ 4,040	41
Net income	--	--	--	
Other comprehensive income:				
Change in fair value of interest rate swap (net of taxes)	--	--	--	
Total comprehensive income				
Series A Preferred Stock dividend	--	--	--	
BALANCES AT DECEMBER 31, 2003	123,075	1,229	4,040	41

	CUMULATIVE SERIES A DIVIDEND	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	CO
BALANCES AT DECEMBER 31, 2001	9,578,676	(86,652,479)	(278,212)	

Net income	--	10,088,456	--	$
Other comprehensive income:				
Change in fair value of interest rate swap (net of taxes)	--	--	(261,340)	
Total comprehensive income				$
Common stock issued				
Series A Preferred Stock dividend	4,118,294	(4,118,294)	--	
BALANCES AT DECEMBER 31, 2002	$ 13,696,970	$(80,682,317)	$ (539,552)	
Net income	--	10,561,520	--	$
Other comprehensive income:				
Change in fair value of interest rate swap (net of taxes)	--	--	418,836	
Total comprehensive income				$
Series A Preferred Stock dividend	4,447,757	(4,447,757)	--	
BALANCES AT DECEMBER 31, 2003	18,144,727	(74,568,554)	(120,716)	

The accompanying notes are an integral part of these financial statements

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EMED CO., INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	
Cash flows from operating activities:		
Net income	$ 10,561,520	$ 10
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	632,936	
Amortization of debt acquisition costs	434,492	
Gain on sale of assets	(316)	
Increase in allowance for doubtful accounts	--	
Deferred income taxes	3,952,000	4
Changes in operating assets and liabilities -		
Accounts and other receivables	83,901	
Inventory	(24,900)	
Prepaid catalog costs	463,815	
Prepaid expenses and other assets	(17,472)	
Other assets	3,602	
Accounts payable	(183,995)	
Accrued expenses	(24,486)	

Accrued interest	(6,683)	
Net cash provided by operating activities	15,874,414	15
Cash flows from investing activities:		
Purchases of property and equipment	(1,131,225)	
Proceeds from notes receivable	--	
Other	2,100	
Net cash used in investing activities	(1,129,125)	
Cash flows from financing activities:		
Borrowings on line of credit	2,500,000	3
Repayments on line of credit	(2,500,000)	(3
Repayments of long-term debt	(15,410,629)	(16
Issuance of common stock	--	
Net cash used in financing activities	(15,410,629)	(16
Net decrease in cash and cash equivalents	(665,340)	(1
Cash and cash equivalents, beginning of year	1,162,419	2
Cash and cash equivalents, end of year	$ 497,079	$ 1
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 2,124,258	$ 1
Interest paid	$ 6,575,694	$ 7
Supplemental disclosure of noncash investing and financing activities:		
Series A - 8% cumulative redeemable preferred stock accrued dividend	$ 4,447,757	$ 4

The accompanying notes are an integral part of these financial statements

EMED CO., INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

1. BUSINESS

EMED Co., Inc. ("EMED" or the "Company") is a majority owned subsidiary of SUMMIT/EMED Holdings, LLC ("Summit Holdings") and is in the business of manufacturing and marketing signage and other safety communication products sold in the United States, through multiple business-to-business catalogs and the Internet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments with original maturities of 3 months or less.

REVENUE RECOGNITION

The Company recognizes revenue from product sales at the time of shipment.

INVENTORY

Inventory consists of raw materials, finished goods and manufactured goods and is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

ADVERTISING AND CATALOG COSTS

Direct costs incurred in conjunction with printing and distributing mail order catalogs are deferred and amortized on a basis that approximates the matching of revenue and expenses over the life of the catalog. Deferred catalog costs are amortized over six months with amortization commencing upon the mailing of the catalog. All other advertising costs are expensed as incurred. Advertising costs incurred amounted to $10,490,573 and $11,063,179 for the years ended December 31, 2003 and 2002, respectively.

PROPERTY, EQUIPMENT AND ACCUMULATED DEPRECIATION

Property and equipment are stated at cost. Expenditures for repairs and maintenance are expensed as incurred and renewals and betterments are capitalized. Depreciation is computed using the straight-line and accelerated methods over the estimated useful lives of the related assets. Depreciation expense amounted to $632,936 and $451,137 for the years ended December 31, 2003 and 2002, respectively.

Asset categories and related estimated useful lives are as follows:

Building and improvements	7 to 39 years
Machinery and equipment	7 to 15 years
Computer equipment	5 years
Furniture and fixtures	5 to 7 years
Vehicles	5 years

INCOME TAXES

The Company accounts for income taxes using the asset and liability approach. This approach requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

The Company files a consolidated federal income tax return with Summit Holdings. The Company files state income tax returns on a stand-alone basis. The Company accounts for its current and deferred federal income tax provision as that which would result if the Company filed on a stand-alone basis. Federal income taxes of approximately $36,488,000 and $40,241,000 included in the Company's balance sheet tax accounts represent a receivable from Summit Holdings at December 31, 2003 and 2002 respectively.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes an interest rate swap to reduce interest rate risks. The Company does not hold or issue derivative financial instruments for trading purposes. The Company accounts for derivative instruments in accordance with Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 as amended by SFAS No. 138, requires the Company to recognize all derivatives as either assets or liabilities and measure those instruments at fair value, and recognize changes in the fair value of derivatives in net income or other comprehensive income, as appropriate.

In accordance with SFAS 133, the interest rate swap has been deemed effective and accordingly, the Company records the fair value on the balance sheets, with unrealized gains or losses deferred in shareholders' deficit (as a component of other comprehensive loss). For the years ended December 31, 2003 and 2002, the Company deferred non cash gains (losses) of $418,836 and $(261,340), net of taxes of $244,000 and $(157,000), respectively. These deferred gains (losses) will be recognized in income in the period in which the related interest rates being hedged are recognized in interest expense.

MANAGEMENT ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant estimates included in these financial statements include the valuation of net deferred tax assets. The amounts contained within these financial statements represent management's best estimate of expected outcomes based on available information. Actual results could differ from those estimates.

3. INVENTORY

The major classifications of inventory at December 31 are as follows:

	2003	2002
Raw materials	$ 538,275	$ 578,317
Finished goods	1,671,195	1,616,757
Manufactured goods	1,725,236	1,714,732
	$ 3,934,706	$ 3,909,806

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4. PROPERTY AND EQUIPMENT, NET

The major classifications of property and equipment at December 31 are as follows:

	2003	2002
Land	$ 200,844	$ 200,844
Building and improvements	5,352,076	5,348,918
Machinery and equipment	1,987,290	1,887,392
Computer equipment	2,778,271	1,773,784
Furniture and fixtures	1,068,293	1,055,627
Vehicles	11,016	23,344
	11,397,790	10,289,909
Less: Accumulated depreciation	5,735,528	5,124,152
	$ 5,662,262	$ 5,165,757

The title to certain of the Company's operating facilities is held by a local Industrial Development Agency ("IDA") to enable the Company to receive property tax abatements. The Company leases the property from IDA through the year 2012 with no annual lease payments. At the end of the lease, title reverts to the Company for consideration of $1. The land and building are treated as owned by

the Company for financial statement purposes.

5. OTHER ASSETS

Other assets at December 31 are comprised of:

	2003	2002
Debt acquisition costs, net	$ 527,183	$ 961,674
Other	11,857	15,460
	$ 539,040	$ 977,134

The debt acquisition costs represent costs related to the acquisition of the Term Loan Agreement. The costs are amortized over the life of the term loan and are components of interest expense. The amortization of these costs amounted to $434,492 for each of the years ended December 31, 2003 and 2002.

6. LONG-TERM DEBT

	2003	2002
Term loans	$ 43,418,843	$ 58,829,472
12% subordinate debenture	26,000,000	26,000,000
	69,418,843	84,829,472
Current portion	(19,731,250)	(12,910,630)
	$ 49,687,593	$ 71,918,842

The Company and Summit Holdings entered into a Term Loan and Revolving Credit Agreement (the "Agreement") with certain banks in 1999. The Agreement consists of two term loans and a $15,000,000 Revolving Credit Facility. Term Loan A, with an original maturity date of April 30, 2004 was paid off during the year ended December 31, 2003. Term Loan B, with a balance of $43,418,843 at December 31, 2003 matures on April 30, 2006. The entire amount of the debt related to this Agreement has been allocated to the Company. The Agreement is collateralized by substantially all of the Company's assets and is guaranteed by Summit Holdings.

The Company is required to make variable payments of principal and interest quarterly on the Term Loan. Interest on the Term Loan is payable, at the Company's option, at predetermined rates above prime or LIBOR determined on the basis of Company performance as determined by its leverage ratio. At December 31, 2003 and 2002, the weighted average interest rate of the Term Loan was 4.60% and 6.91%, respectively.

There was no balance outstanding under the Company's $15,000,000 Revolving Credit Facility at December 31, 2003 and 2002. The Revolving Credit Facility matures on April 30, 2004. Interest is payable under the Revolving Credit Facility, at the Company's option, at rates above prime or LIBOR determined by its leverage ratio.

The Company entered into an interest rate swap agreement (the "Swap") on March 28, 2002 whereby the Company pays a fixed interest rate of 4.205% on the notional amount of the Swap which was $25,000,000 at December 31, 2003. A major financial institution, as counterparty to the agreement, pays the Company interest at a floating rate based on three-month LIBOR on the notional amount during the term of the agreement. Interest payments are made quarterly by both parties and the Swap matures on March 31, 2004. The interest rate swap has been deemed effective as a hedge and, accordingly, any difference between amounts paid and received is recorded as interest expense. The Company is at risk of loss from this Swap agreement in the event of nonperformance by the counterparty.

EMED CO., INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

The Term Loan contains a mandatory prepayment based upon excess cash flow, as defined in the Agreement. Mandatory prepayments of $814,635 and $2,742,937 were required during 2003 and 2002, respectively. In 2004, no mandatory prepayment based on excess cash flow is required.

The Company entered into a $26,000,000 subordinated debenture agreement, primarily with a related party. The entire principal amount is due October 31, 2006 with required quarterly interest payments at an annual rate of 12%. The debenture is subordinate to the Term Loans and the Revolving Credit Facility and is secured by a subordinate interest in substantially all the assets of the Company.

The Company's long-term debt maturities for the five years following December 31, 2003 and thereafter are as follows:

	AMOUNT
2004	19,731,250
2005	23,687,593
2006	26,000,000
2007	-
	$ 69,418,843

The Term Loan and Revolving Credit Facility Agreement contains, among other provisions, requirements to maintain minimum levels of net worth, minimum debt service coverage ratios, interest coverage and leverage ratios, and certain reporting requirements. At December 31, 2003, the Company was in compliance with these amended covenants.

The fair value of the Company's subordinated debt is estimated based upon discounted cash flows. The discount rate utilized in estimating fair value represents the risk adjusted rate at which management estimated it could borrow under similar terms and maturities as of December 31, 2003 and 2002. Actual rates can only be determined through formal negotiations. At December 31, 2003 and 2002, the estimated fair value of the debt exceeds the carrying value by approximately $2,000,000 and $3,000,000, respectively.

7. INCOME TAXES

The provision for income taxes at December 31 are comprised of:

	2003	2002

Current:		
Federal	$ 1,925,000	$ 1,642,000
State	200,000	208,000
	2,125,000	1,850,000
Deferred:		
Federal	3,514,000	3,611,000
State	438,000	414,000
	3,952,000	4,025,000
	$ 6,077,000	$ 5,875,000

The provision for income taxes differs from the "expected" tax expense computed by applying the U.S. federal corporate tax rate of 34% to earnings before income taxes primarily as a result of state income taxes.

The gross deferred tax assets and liabilities are as follows:

	2003	2002
Deferred tax assets	$ 42,678,000	$ 47,023,000
Deferred tax liabilities	(1,547,000)	(1,696,000)
Net deferred tax asset	$ 41,131,000	$ 45,327,000

Deferred income taxes at December 31, 2003 and 2002 result principally from temporary differences between the accounting and tax bases of goodwill and property and equipment.

Realization of the net deferred tax asset is dependent upon generating sufficient taxable income over the periods in which the temporary differences are anticipated to reverse (primarily tax goodwill amortization over 15 years). Although realization is not assured, management believes it is more likely than not that the net deferred tax asset will be realized. Accordingly, no valuation allowance against the net deferred tax assets has been recorded. However, if estimates of future taxable income are reduced, it may be necessary to record a valuation allowance at that time.

8. EQUITY

The Preferred Shares have a redemption value of $100 per share plus any accumulated and unpaid dividends. The preferred shares are redeemable at the option of the holder in the event of a sale, merger, or winding up of the company ("liquidity event"). If no liquidity event has occurred on or before October 31, 2006, the holders of the majority share of the Preferred Shares may, at their election, but subject to the senior debt covenants, require the Company to redeem all of the Preferred Shares for the redemption value plus any accumulated and unpaid dividends.

The Preferred Shares' 8% dividend accumulates, compounds annually and is payable in cash when and as declared by the Board of Directors provided that the payments of such dividends shall be subordinate to the indefeasible payment in full of all obligations under any loan or other credit facility. The Preferred Shareholders are entitled to one vote per share on all matters submitted to the shareholders of the Company.

The common stock shareholders also have certain redemption rights, which allow for the repurchase of shares after October 31, 2006 upon the occurrence of certain events. The price to be paid will be based on the fair market value of the stock, as defined in the Agreement.

During 2002, 215 shares of restricted common stock were issued to an officer for $1.00 per share, which approximates its fair market value. The shares vest at a rate of 25% upon their first anniversary and remaining shares vest daily on a pro rata basis thereafter until 2005.

9. 401(K) AND PROFIT-SHARING PLANS

The Company has in effect a 401(k) plan covering substantially all Company employees who meet certain age and length-of-service requirements. Eligible employees may defer contributions up to the maximum allowed by the Internal Revenue Service regulations. There is no provision for Company matching contributions to the plan. Also, the Company has in effect a profit-sharing plan covering substantially all Company employees who meet certain age and length-of-service requirements. Company contributions to the plan amounted to approximately $138,467 and $199,898 for the years ended December 31, 2003 and 2002, respectively.

10. FLEXIBLE BENEFITS PLAN

The Company has in effect a flexible benefits plan covering all full-time Company employees who are eligible for coverage under the Employer's group medical insurance plan. The Company contributes 47% or 73% toward the Employer's medical insurance plan based on the type of coverage the employee carries. Upon completion of 1 year of service, employees are eligible to receive a 5% Company discretionary contribution of the employee's annual salary to be used by the employee to cover certain reimbursable expenses as defined in the plan. Company contributions to the plan amounted to approximately $227,777 and $222,857 for the years ended December 31, 2003 and 2002.

11. COMMITMENTS AND CONTINGENCIES

The Company may become subject to legal claims arising in the ordinary course of business. The Company does not believe that it is a party to any proceedings at the present time that could have a material adverse impact on the financial position of the Company. There can be no assurance, however, that unforeseen circumstances will not result in a significant loss.

12. SIGNIFICANT CONCENTRATION OF CREDIT RISK

The Company maintains accounts at several financial institutions, which may exceed federally insured amounts at various times during the year.

13. RELATED PARTY TRANSACTION

During 2003 and 2002, the Company incurred $3,163,333 in interest expense with individuals or corporations who were either shareholders or were controlled by shareholders of the Company. As of December 31, 2003 and 2002, approximately $667,000 is recorded as a component of accrued interest.

EMED CO.

UNAUDITED NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2004

EMED Co., Inc. ("EMED" or the "Company") is a manufacturer and marketer of signage and other safety communication products sold in the United States, through multiple business-to-business catalogs and the Internet.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Management has prepared the financial statements of the Company in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial reporting. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The interim financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto as of December 31, 2003. Accounting policies followed in preparation of the annual financial statements are consistent with those used in preparation of the March 31, 2004 interim financial statements.

These financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of operations for the foreseeable future.

2. SUBSEQUENT EVENTS

On April 5, 2004, the Company announced that it had entered into a definitive agreement pursuant to which all of the outstanding securities of the Company would be sold to Brady Corporation ("Brady"). Brady is an international manufacturer and marketer of complete identification solutions, with products including labels, software, printing systems, label-application and data-collection systems, signs, safety devices and specialty materials for manufacturing, electrical, electronic, telecommunications and a variety of other markets. Under the terms of the agreement, which was consummated on May 20, 2004, Brady acquired all of the outstanding securities of EMED for approximately $191.8 million U.S. dollars in cash, net of cash received.

EMED CO., INC.
UNAUDITED BALANCE SHEET
(AMOUNTS IN THOUSANDS OF U.S. DOLLARS)

	MARCH 31, 2004
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 1,920
Accounts receivable, less allowance for losses of $104	5,378
Inventory	3,958
Prepaid catalog costs	2,943
Prepaid expenses and other assets	220
Total Current Assets	14,419
Property and Equipment, net	5,586
Other assets	430
Deferred income taxes	40,071
Total Assets	$ 60,506
LIABILITIES AND SHAREHOLDERS' DEFICIT	
Current Liabilities:	
Accounts payable	$ 1,180
Accrued expenses	1,008
Accrued interest	640
Current portion of long-term debt	26,125
Total Current Liabilities	28,953
Long Term Debt	43,156
Shareholders' Deficit:	
Series A - 8% cumulative redeemable preferred stock, $100 per share redemption value, 419,000 shares authorized, issued and outstanding	41,900
Series A - 8% cumulative redeemable preferred stock - accrued dividend	19,346
Common Stock, $,01 par value, 1,005,000 shares authorized 123,075 shares issued and outstanding	1
Additional Paid in Capital	4
Accumulated other comprehensive loss	-
Accumulated deficit	(72,854)
Total Shareholders' Deficit	(11,603)
Total Liabilities and Shareholders' Deficit	$ 60,506

See accompanying notes

EMED CO., INC.
UNAUDITED STATEMENTS OF INCOME
(AMOUNTS IN THOUSANDS OF U.S. DOLLARS)

	THREE MONTHS ENDED MARCH 31, 2004	MARCH 3 2003
SALES	$ 14,564	$ 14
Cost of sales:		
Material costs	2,043	1
Production labor	536	
Other	145	
Total cost of sales	2,724	2
Gross margin	11,840	12
Operating Expenses	626	
Selling Expenses	655	
Total operating and selling	1,281	1
Marketing expenses	3,312	3
General and administrative	1,048	1
Depreciation	189	
Income from operations	6,010	6
Other income (expense):		
Interest income	1	
Interest expense	(1,635)	(1
	(1,634)	(1
Income before provision for income taxes	4,376	4
Provision for income taxes	1,460	1
Net income	$ 2,916	$ 2

See accompanying notes

EMED CO., INC.
UNAUDITED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS OF U.S. DOLLARS)

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31 2004	MARCH 31 2003
Cash flows from operating activities:		
Net income	$ 2,916	$ 2,900
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	190	135
Amortization of debt acquisition costs	110	110
Deferred income taxes	1,060	1,007
Changes in operating assets and liabilities -		
Accounts and other receivables	(1,571)	(1,580)
Inventory	(23)	358
Prepaid catalog costs	(467)	(823)
Prepaid expenses and other assets	28	74
Accounts payable	(584)	(713)
Accrued expenses	66	424
Accrued interest	(50)	(55)
Net cash provided by operating activities	1,675	1,837
Cash flows from investing activities:		
Purchases of property and equipment	(114)	(88)
Net cash used in investing activities	(114)	(88)
Cash flows from financing activities:		
Borrowings on line of credit	1,500	1,500
Repayment of line of credit	(1,500)	-
Repayments of long-term debt	(138)	(2,888)
Net cash used in financing activities	(138)	(1,388)
Net increase in cash and cash equivalents	1,423	361
Cash and cash equivalents, beginning of year	497	1,162
Cash and cash equivalents, end of period	$ 1,920	$ 1,523
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 171	$ 88
Interest paid	$ 1,577	$ 1,743
Supplemental disclosure of noncash investing and financing activities:		
Series A - 8% cumulative redeemable preferred stock accrued dividend	$ 1,201	$ 1,112

See accompanying notes

PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

On May 20, 2004, Brady Corporation ("Brady") completed its previously announced acquisition, by way of a securities purchase agreement (the "Agreement"), of all of the outstanding securities of EMED Co., Inc. ("EMED"). Under the terms of the Agreement, Brady acquired all of the outstanding securities and assets of EMED for approximately $191.8 million in cash.

Brady funded the transaction with debt of $150 million and the remainder in cash. On July 1 2004, Brady announced that it had completed a private placement of $150 million of 5.14% senior notes due in 2014. The notes, which will be amortized over 7 years beginning in 2008, were offered and sold to institutional accredited investors in a private placement. Under the terms of the agreement pursuant to which the senior notes were sold, Brady must meet the following covenants, including others:

1. Consolidated Debt to Consolidated EBITDA - Brady will not at any time permit the ratio of Consolidated Debt to Consolidated EBITDA (calculated as at the end of each fiscal quarter for the four consecutive quarters then ended) to exceed 3.50 to 1.00.

2. Priority Debt - Brady will not, at any time, permit the aggregate amount of all Priority Debt to exceed 25% of Consolidated Net Worth, determined as of the end of Brady's then most recently ended fiscal quarter.

The following presents certain unaudited pro forma condensed consolidated financial information of Brady as of April 30, 2004 and for the 9 months then ended and for the year ended July 31, 2003. The unaudited pro forma condensed consolidated balance sheet was prepared as if the EMED acquisition took place on April 30, 2004 and the unaudited pro forma condensed statements of operations were prepared as if the EMED acquisition took place on August 1, 2002. The financial statements give pro forma effect to (i) cash and debt used to fund the EMED acquisition, and (ii) preliminary allocation of purchase price based upon fair value of the assets acquired and liabilities assumed.

The unaudited pro forma condensed consolidated financial statements reflect pro forma adjustments that are based upon available information and certain assumptions that management believes are reasonable. The unaudited pro forma condensed consolidated financial statements do not purport to represent Brady's results of operations or financial position that would have resulted had the transactions been consummated as of the date or for the periods indicated. The unaudited pro forma condensed consolidated financial statements reflect preliminary estimates of the allocation of the purchase price for the acquisition that may be adjusted. Management does not expect such adjustments to be significant.

The unaudited pro forma condensed consolidated financial statements and accompanying notes should be read in conjunction with the historical financial statements of Brady contained in its 2003 Annual Report and the historical financial statements of EMED contained herein.

BRADY CORPORATION AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
APRIL 30, 2004
(AMOUNTS IN THOUSANDS OF U.S. DOLLARS)
(UNAUDITED)

	BRADY	EMED	
ASSETS	(1)	(2)	A

CURRENT ASSETS:			
Cash and cash equivalents	$ 79,831	$ 1,920	$
Accounts receivable, less allowance for losses	101,800	5,378	
Inventories	45,189	3,958	
Prepaid expenses and other current assets	22,125	3,163	
TOTAL CURRENT ASSETS	248,945	14,419	
OTHER ASSETS:			
Goodwill	159,122	-	
Other	25,904	40,501	
	185,026	40,501	
PROPERTY, PLANT AND EQUIPMENT:			
Cost:			
Land	5,244	201	
Buildings and improvements	54,658	5,352	
Machinery and equipment	149,233	5,958	
Construction in progress	1,858	-	
	210,993	11,511	
Less accumulated depreciation	131,119	5,925	
NET PROPERTY, PLANT AND EQUIPMENT	79,874	5,586	
TOTAL	$ 513,845	$ 60,506	$

LIABILITIES AND STOCKHOLDERS' INVESTMENT

CURRENT LIABILITIES:			
Accounts payable	$ 33,240	$ 1,180	$
Wages and amounts withheld from employees	33,580	365	
Taxes, other than income taxes	4,563	26	
Accrued income taxes	20,000	449	
Other current liabilities	22,675	808	
Short-term borrowings and current maturities on long-term debt	32	26,125	
TOTAL CURRENT LIABILITIES	114,090	28,953	
LONG-TERM OBLIGATIONS, LESS CURRENT MATURITIES	28	43,156	
OTHER LIABILITIES	20,657	-	
TOTAL LIABILITIES	134,775	72,109	
STOCKHOLDERS' INVESTMENT:			
Capital Stock	238	61,247	
Additional paid-in capital	60,870	4	
Income retained in the business	311,089	(72,854)	
Treasury Stock - 34,657 and 18,262 shares, at cost	(1,074)	-	
Cumulative other comprehensive income	8,315	-	
Other	(368)	-	

TOTAL STOCKHOLDERS' INVESTMENT	379,070	(11,603)	
TOTAL	$ 513,845	$ 60,506	$

BRADY CORPORATION AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED APRIL 30, 2004
(AMOUNTS IN THOUSANDS OF U.S. DOLLARS EXCEPT FOR PER SHARE AMOUNTS)
(UNAUDITED)

	BRADY (15)	EMED (16)	PR ADJ
NET SALES	$ 485,708	$ 40,122	$
Cost of products sold	233,841	7,538	
Gross margin	251,867	32,584	
Operating expenses:			
Research and development	16,680	-	
Selling, general and administrative	181,373	15,365	
Restructuring charge - net	2,274	-	
Total operating expenses	200,327	15,365	
Operating income	51,540	17,219	
Other income and (expense):			
Investment and other (expense) income	(429)	10	
Interest expense	(36)	(5,066)	
Income before income taxes	51,075	12,163	
Income taxes	16,290	4,271	
Net income	34,785	7,892	
Income retained in business at beginning of period	290,805	(77,322)	
Less:			
Redemption premium on preferred stock	-	-	
Common stock dividends	(14,501)	-	
Preferred dividends	-	(3,424)	
Income retained in business at end of period	$ 311,089	$ (72,854)	$
Net income per Class A Nonvoting Common Share			
Basic	$ 1.48		

	Diluted	$ 1.46
Net income per Class B Voting Common Share		
	Basic	$ 1.45
	Diluted	$ 1.43

BRADY CORPORATION AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED JULY 31, 2003
(AMOUNTS IN THOUSANDS OF U.S. DOLLARS EXCEPT FOR PER SHARE AMOUNTS)
(UNAUDITED)

	BRADY (22)	EMED (23)	A
Net sales	$ 554,866	$ 57,248	$
Cost of products sold	274,593	10,390	
Gross margin	280,273	46,858	
Operating expenses:			
Research and development	18,873	-	
Selling, general and administrative	219,662	22,530	
Restructuring charge - net	9,589	-	
Total operating expenses	248,124	22,530	
Operating income	32,149	24,328	
Other income and (expense):			
Investment and other (expense) income	427	23	
Interest expense	(121)	(7,540)	
Income before income taxes	32,455	16,811	
Income taxes	11,035	6,227	
Net income	21,420	10,584	
Income retained in business at beginning of period	287,674	(83,622)	

Less:			
Redemption premium on preferred stock	(171)	-	
Common stock dividends	(18,118)	-	
Preferred stock dividends	-	(4,284)	
Income retained in business at end of period	$ 290,805	$ (77,322)	$

Net income per Class A Nonvoting Common Share

Basic	$ 0.92
Diluted	$ 0.91

Net income per Class B Voting Common Share

Basic	$ 0.89
Diluted	$ 0.88

BRADY CORPORATION AND SUBSIDIARIES

NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AS OF

APRIL 30, 2004 AND THE YEAR ENDED JULY 31, 2003

(IN U.S. DOLLARS)

(UNAUDITED)

The acquisition will be accounted for in accordance with the purchase method. Based on an evaluation of the net tangible and intangible assets acquired, Brady has allocated the total cost of the acquisition of EMED as follows (amounts in thousands):

Purchase price, net of cash received	$ 191,827
Estimated transaction costs	2,100
Total consideration	$ 193,927

		Estimated Lives In years
Assets, less cash received	$ 60,768	N/A
Liabilities	(2,188)	N/A
Trade name/trademark*	13,900	N/A

Customer list*	21,100	7
Non-competes*	300	2
Goodwill	100,047	N/A
	$ 193,927	

*Utilized external valuation to determine fair value.

In connection with the EMED acquisition, the Company entered into a Note Purchase Agreement (the "Agreement") pursuant to which it issued to institutional accredited investors $150 million of 5.14% senior notes due 2014 in a private placement exempt from the registration requirements of the Securities Act of 1933. The notes will be amortized over 7 years beginning in 2008.

The Company's long-term debt maturities for the life of the notes are as follows (in thousands):

	Amount
2004	$ 0
2005	0
2006	0
2007	0
2008	21,429
Thereafter	128,571
	$ 150,000

The unaudited pro forma condensed consolidated financial statements reflect preliminary estimates of the allocation of the purchase price for the acquisition that may be adjusted. Management does not expect any adjustments to be significant.

The unaudited pro forma condensed consolidated financial statements are presented for illustrative purposes only, giving effect to the acquisition, as described and therefore are not indicative of the operating results that might have been achieved had the combination occurred as of an earlier date, nor are they indicative of operating results which may occur in the future.

The unaudited condensed consolidated financial statements are derived from the Company's Form 10-Q for the quarter ended April 30, 2004 and the Form 10-K for the year ended July 31, 2003 as filed with the Securities and Exchange Commission.

The unaudited pro forma condensed consolidated balance sheet includes the adjustments necessary to give effect to the acquisition as if it had been consummated at April 30, 2004 and to reflect the allocation of the purchase price to the fair value of tangible assets acquired and liabilities assumed. Adjustments included in the pro forma condensed consolidated balance sheet are summarized as follows (in thousands):

(1) Represents the Company's historical condensed consolidated balance sheet at April 30, 2004

(2) Represents the historical consolidated balance sheet for EMED at March 31, 2004

(3) Recognition of cash outlay related to EMED acquisition

(4) Represents write-up of inventory to fair market value

(5) Recognition of tax receivable related to amounts paid by seller, tax deduction to be taken by Brady

(6) Recognition of goodwill related to EMED purchase

(7)	Represents elimination of EMED financing fees	$
	Recognition of other identifiable intangibles related to acquisition of EMED	3
	Recognition of financing fees to be amortized over 10 years	

		$ 3
		====

(8) Recognition of adjustment of fixed assets to fair market value and elimination of accumulated depreciation

(9) Represents elimination of EMED accrued interest assumed by seller

(10) Represents elimination of EMED short-term debt assumed by seller

(11)	Represents elimination of EMED long-term debt assumed by seller	$ (4
	Represents private placement financing	15

		$ 10
		====

(12) Represents elimination of EMED capital stock

(13) Represents elimination of EMED Additional Paid-in-Capital

(14) Represents elimination of EMED accumulated deficit

The unaudited pro forma condensed consolidated statements of operations give effect to the acquisition as if it had been consummated as of August 1, 2002. The adjustments that follow are those that are required by Article 11 of Regulation S-X (in thousands).

(15) Represents Brady condensed consolidated historical statement of operations for the nine months ended April 30, 2004

(16) Represents EMED historical statement of operations for the nine months ended March 31, 2004

(17) Reclassify expenses classified as cost of sales by Brady, operating expenses by EMED $ 2
Represents amortization of inventory fair market value write-up
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$ 3
====

(18) Recognition of amortization of intangibles $

Reclassify expenses classified as cost of sales by Brady operating expense by EMED (

$
====

(19) Represents elimination of EMED interest expense and financing fees $
Recognition of interest expense related to debt acquired upon acquisition of EMED (
Recognition of amortization of financing fees on $150 million private placement debt by Brady
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$
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(20) Represents taxes on pro-forma adjustments

(21) Represents elimination of EMED Income retained in business & preferred dividends.

(22) Represents Brady historical statement of operations for the year ended July 31, 2003

(23) Represents EMED historical statement of operations for the year ended June 30, 2003

(24) Reclassify expenses classified as cost of sales by Brady, operating expenses by EMED $
Represents amortization of inventory fair market value write-up
----
$
====

(25) Recognition of amortization of intangibles $
Reclassify expenses classified as cost of sales by Brady, operating

expenses by EMED (

(26) Represents elimination of EMED interest expense and financing fees $
Recognition of interest expense related to debt acquired upon acquisition of EMED (
Recognition of amortization of financing fees on the $150 million private placement debt by Brady

$

(27) Represents taxes on pro forma adjustments

(28) Represents elimination of EMED Income retained in business and preferred dividends.

SIGNATURE

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

BRADY CORPORATION

Date: August 3, 2004 /s/ David Mathieson

David Mathieson
Vice President &
Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
*2.1	Securities Purchase Agreement, dated April 2, 2004, among Brady Corporation, EMED Co., Inc., Summit/EMED Holdings, LLC and the Selling Holders named therein.
10.1	Note Purchase Agreement dated June 28, 2004.
23.1	Consent of PricewaterhouseCoopers LLP (Independent Accountants for EMED).
* 99	Press Release of Brady Corporation dated May 21, 2004.

*Previously filed, as Exhibits to our Current Report on Form 8-K filed with the Commission on June 1, 2004, and incorporated herein by reference.