

Edgar Filing: BRADY CORP - Form SC 13G

BRADY CORP  
Form SC 13G  
February 01, 2001

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 0)\*

Brady Corp.  
(Name of Issuer)

Cl. A  
(Title of Class of Securities)

104674106  
(CUSIP Number)

December 29, 2000  
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1 (b)  
 Rule 13d-1 (c)  
 Rule 13d-1 (d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 104674106

13G

Page 2 of 5 Pages

- 1) NAME OF REPORTING PERSON  
S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON  
Neuberger Berman, Inc.  
061523639  
Neuberger Berman, LLC.  
13-5521910

Edgar Filing: BRADY CORP - Form SC 13G

2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) /\_\_\_/  
(b) /X/

3) SEC USE ONLY

4) CITIZENSHIP OR PLACE OF ORGANIZATION  
Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:

5) SOLE VOTING POWER  
436,014

6) SHARED VOTING POWER  
634,100

7) SOLE DISPOSITIVE POWER  
0

8) SHARED DISPOSITIVE POWER  
1,070,114

9) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
1,070,114

10) CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES\*  
0

11) PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9  
5.12

12) TYPE OF REPORTING PERSON\*

BD/IA

CUSIP No. 104674106 13G Page 3 of 5 Pages

Item 1. (a) Name of Issuer:

Brady Corp.

Item 1 (b) Address of Issuer's Principal Executive Offices:

6555 W Good Hope Road, P.O. Box 571, Milwaukee, WI 53201

Item 2. (a) Name of Person Filing:  
Neuberger Berman Inc.  
Neuberger Berman, LLC.

Item 2 (b) Address of Principal Business Office:

605 Third Ave., New York, NY, 10158-3698

Item 2 (c) Citizenship:

USA

Item 2 (d) Title of Class of Securities:

Cl. A

## Edgar Filing: BRADY CORP - Form SC 13G

Item 2 (e) CUSIP Number:

104674106

Item 3. (g) /X/ Parent holding company, in accordance with  
240.13d-1 (b) (ii) (G)

Item 4. Ownership:

(a) Amount Beneficially Owned:

1,070,114

(b) Percent of Class:

5.12

CUSIP No. 104674106

13G

Page 4 of 5 Pages

(c) Number of Shares as to which such person has:

(I) Sole Power to vote or to direct the  
vote: 436,014

(II) Shared Power to vote or to direct the  
vote: 634,100

(III) Sole Power to dispose or to direct the disposition  
of: 0

(IV) Shared Power to dispose or to direct the disposition  
of: 1,070,114

Item 5. Ownership of Five Percent or Less of a Class:  
N/A

Item 6. Ownership of More than Five Percent on Behalf of Another:

Neuberger Berman, LLC is deemed to be a beneficial owner for purpose of Rule 13(d) since it has shared power to make decisions whether to retain or dispose, and in some cases the sole power to vote, the securities of many unrelated clients. Neuberger Berman, LLC does not, however, have any economic interest in the securities of those clients. The clients are the actual owners of the securities and have the sole right to receive and the power to direct the receipt of dividends from or proceeds from the sale of such securities.

With regard to the shares set forth under Item 4.(c) (II), Neuberger Berman, LLC and Neuberger Berman Management Inc. are deemed to be beneficial owners for purposes of Rule 13(d) since they both have shared power to make decisions whether to retain or dispose and vote the securities. Neuberger Berman, LLC and Neuberger Berman Management Inc. serve as sub-adviser and investment manager, respectively, of Neuberger Berman's various Mutual Funds which hold such shares in the ordinary course of their business and not with the purpose nor with the effect of changing or influencing the control of the issuer.

## Edgar Filing: BRADY CORP - Form SC 13G

No other Neuberger Berman, LLC advisory client has an interest of more than 5% of the issuer.

It should be further noted that the share calculation under item 4.(c)(IV) is derived from a total combination of the shares set forth under Item 4.(c)(I and II). The remaining balance of shares, if any, are for individual client accounts over which Neuberger Berman, LLC has shared power to dispose but not vote shares.

CUSIP No. 104674106

13G

Page 5 of 5 Pages

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company:

Neuberger Berman, Inc. makes this filing pursuant to Rule 13d-1(b)(ii)(G) since it owns 100% of both Neuberger Berman, LLC and Neuberger Berman Management, Inc. and does not own over 1% of the issuer. Neuberger Berman, LLC, as investment advisor and broker/dealer with discretion. Neuberger Berman Management, Inc. as investment advisor to a Series of Public Mutual Funds.

Item 8. Identification and Classification of Members of the Group:

N/A

Item 9. Notice of Dissolution of Group:

N/A

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature:

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 1, 2001

By:

Kevin Handwerker  
General Counsel  
Neuberger Berman, Inc.  
Neuberger Berman, LLC.

the Company or the Bank who received compensation in excess of \$100,000 during any of the last three fiscal years of

the Company.

### Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation(1)	Long-Term Compensation	
		Salary	Bonus		Securities Underlying Options	All Other Compensation(2)
Edwin F. Hale, Sr. Chairman of the Board and Chief Executive Officer of the Company and the Bank	2005	\$ 504,000	\$ 392,120	\$ 23,374	60,000	\$ 3,976
	2004	\$ 480,000	\$ 244,000	\$ 20,543	0	\$ 3,916
	2003	\$ 425,000	\$ 296,000	\$ 14,039	70,000	\$ 2,522
Joseph A. Cicero President of the Company and Chief Operating Officer of the Bank	2005	\$ 260,000	\$ 47,280	\$ 7,229	30,000	\$ 7,262
	2004	\$ 240,000	\$ 73,600	\$ 7,229	0	\$ 5,936
	2003	\$ 230,000	\$ 62,350	\$ 7,229	20,000	\$ 4,364
George H. Mantakos Executive Vice President of the Company and President of the Bank	2005	\$ 230,000	\$ 60,580	\$ 11,585	22,500	\$ 7,690
	2004	\$ 206,000	\$ 83,200	\$ 8,539	0	\$ 6,084
	2003	\$ 197,500	\$ 73,700	\$ 5,141	17,500	\$ 4,395
Mark A. Keidel Chief Financial Officer of the Company and the Bank	2005	\$ 175,000	\$ 30,535	\$ 6,000	15,000	\$ 3,857
	2004	\$ 155,000	\$ 45,280	\$ 0	0	\$ 2,876
	2003	\$ 141,500	\$ 38,550	\$ 0	12,500	\$ 2,498

(1) The amount disclosed represents car lease payments made by the Company on behalf of Mr. Hale and cost of security provided to Mr. Hale, depreciation on a bank car provided to Mr. Mantakos and Mr. Cicero, respectively, and an automobile allowance for Mr. Keidel.

(2) The amount disclosed represents matching funds under the Company's 401(k) plan for Messrs. Hale, Cicero, Mantakos and Keidel in the amounts of \$3,468, \$5,486, \$5,420 and \$3,539, respectively, and life insurance coverage of up to two times the annual base salary under an endorsement split dollar arrangement for each of Messrs. Hale, Cicero, Mantakos and Keidel in the amounts of \$508, \$1,776, \$2,270 and \$318, respectively. The maximum coverage under the arrangement is \$300,000.

The salaries proposed to be paid in 2006 to the Company's executive officers are as follows: Mr. Hale, \$550,000; Mr. Cicero, \$270,000; Mr. Mantakos, \$240,000; and Mr. Keidel \$200,000. Additional compensation may be earned in 2006 through the Company's incentive compensation plans, imputed life insurance coverage, matching 401(k) plan contributions and other benefits mentioned in the notes to the summary compensation table above.

### Equity Compensation Plans

#### *First Mariner Bancorp 2004 Long Term Incentive Plan*

The First Mariner Bancorp 2004 Long Term Incentive Plan was approved by the Company's Board of Directors and stockholders and will continue in effect until March 16, 2014, unless earlier terminated. The plan provides equity-based compensation incentives through the grant of nonqualified stock options, incentive stock options, stock appreciation rights and restricted shares ( Awards ). Select employees,

officers, directors, advisors and consultants of the Company and its affiliates are eligible to receive awards under the plan. The plan has reserved 500,000 shares of the Company's common stock for issuance of Awards, as adjusted for stock splits and other similar reclassification events. Options and stock appreciation rights must be granted at not less than fair market value on the date of grants (110% of the fair market value in the case of incentive stock options granted to participants who own more than 10% of the Company's shares on the grant date). An option granted under the plan generally expires on the 10th anniversary of the date the option was granted.

***First Mariner Bancorp 2003 Employee Stock Purchase Plan***

The First Mariner Bancorp 2003 Employee Stock Purchase Plan was approved by the Company's Board of Directors and stockholders and will continue in effect until July 1, 2013, unless earlier terminated. Under the plan, qualified employees may purchase shares of the Company's common stock through payroll deductions at a discount from market price, without incurring trading fees. The plan contemplates the grant of options to purchase shares of Common Stock to eligible employees of the Company and its subsidiaries. The total number of shares of Common Stock that may be issued under the plan cannot exceed 100,000 shares, as adjusted for stock splits and other similar reclassification events. Offerings to participants of options to purchase shares will be made each calendar quarter. The exercise price for each share purchased under the plan will not be less than 90% of the fair market value of the common stock on the last business day of the calendar quarter of each offering (Offering Termination Date). An option granted to a participant will be deemed to have been exercised automatically on the Offering Termination Date applicable to such option. No participant may be granted an option to purchase shares under the plan if such participant, immediately after the option is granted, owns stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or any subsidiary. Additionally, no participant may be granted an option which permits his or her right to purchase shares under the plan, and any other stock purchase plan of the Company, to accrue at a rate which exceeds \$25,000 of fair market value of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time. In 2005, Mr. Cicero acquired 425 shares under the plan, Mr. Mantakos acquired 255 shares under the plan and Mr. Keidel acquired 425 shares under the plan.

***First Mariner Bancorp 2002 Stock Option Plan***

The First Mariner Bancorp 2002 Stock Option Plan was approved by the Company's Board of Directors and stockholders and will continue in effect until January 22, 2012, unless earlier terminated. The plan provides equity-based compensation incentives through the grant of stock options to directors, executive officers, key employees and consultants of the Company. The plan has reserved 250,000 shares of the Company's common stock for issuance of stock options, as adjusted for stock splits and other similar reclassification events. Options granted under the plan may be either nonqualified or incentive stock options. Incentive stock options must be granted at not less than fair market value on the date of grants (110% of the fair market value in the case of incentive options granted to participants who own more than 10% of the Company's shares on the grant date). An option granted under the plan generally expires on the 10th anniversary of the date the option was granted.

**Option Grants in Last Fiscal Year**

The following stock options were granted to the named executives in 2005:

Name	Number of Securities Underlying Options/SAR s Granted (#) (1)	Percent of Total Options/SAR s Granted To Employees In Fiscal Year	Exercise or Base Price(\$/S)	Expiration Date	Grant Date Fair Value(\$)(2)
Edwin F. Hale, Sr.	60,000	23.30 %	\$ 17.77	01/25/15	\$ 361,800
Joseph A. Cicero	30,000	11.65 %	\$ 17.77	01/25/15	\$ 180,900
George H. Mantakos	22,500	8.74 %	\$ 17.77	01/25/15	\$ 135,675
Mark A. Keidel	15,000	5.83 %	\$ 17.77	01/25/15	\$ 90,450

- (1) Options granted in the year ended December 2005 were issued under the 2004 Long Term Incentive Plan.
- (2) Value is calculated by utilizing Modified Black-Scholes American option pricing model which assumed a 4.22% risk-free interest rate, 8 year expected life, 16.55% implied volatility of the stock and zero expected dividend rate.
- (3) These options were granted on January 25, 2005 with a three year straight line vesting schedule. In December 2005, the Compensation Committee of the Board of Directors accelerated the vesting of all unvested stock options previously issued, thereby fully vesting the options in the table above.

**Aggregated Option Exercises In Last Fiscal Year and Fiscal Year End Option Values**

The executive officers named in the Summary Compensation Table exercised stock options to acquire 11,550 shares of common stock during 2005. In December 2005 all the vesting on all outstanding option grants were accelerated and vested by December 31, 2005. The following table sets forth certain information regarding unexercised options held by the named executive officers as of December 31, 2005:

Name	Aggregate Fiscal Year-End Option Values			
	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Edwin F. Hale, Sr.	372,000 (2)	0	\$ 2,556,895	0
Joseph A. Cicero	104,000 (3)	0	\$ 629,978	0
George H. Mantakos	81,000 (4)	0	\$ 479,485	0
Mark A. Keidel	43,000 (5)	0	\$ 219,375	0

- (1) Represents the total gain which would be realized if all in-the-money options held at December 31, 2005 were exercised, determined by multiplying the number of shares underlying the options by the difference between the per share option exercise price and the fair market value of the shares at December 31, 2005 of \$17.50
- (2) The exercise price of these options is \$9.09 per share with respect to 132,000 of these options, \$8.6875 per share with respect to 10,000 of these options, \$5.625 per share with respect to 10,000 of these options, \$5.50 per share with respect to 40,000 of these options, \$10.45 with respect to 50,000 of these options, and \$11.68 with respect to 70,000 of these options and \$17.77 with respect to 60,000 of these options.
- (3) The exercise price of these options is \$9.09 per share with respect to 16,500 of these options, \$5.625 per share with respect to 7,500 of these options, \$5.50 per share with respect to 15,000 of these





options, \$10.45 with respect to 15,000 of these options, \$11.68 per share with respect to 20,000 of these options and \$17.77 with respect to 30,000 of these options.

(4) The exercise price of these options is \$9.09 per share with respect to 11,000 of these options, \$5.625 per share with respect to 5,000 of these options, \$5.50 per share with respect to 10,000 of these options, \$10.45 with respect to 15,000 of these options, \$11.68 per share with respect to 17,500 of these options and \$17.77 with respect to 22,500 of these options.

(5) The exercise price of these options is \$6.25 with respect to 3,000 of these options, \$5.50 per share with respect to 5,000 of these options, \$10.45 with respect to 7,500 of these options, \$11.68 per share with respect to 12,500 of these options and \$17.77 with respect to 15,000 of these options.

#### **EMPLOYMENT ARRANGEMENTS AND AGREEMENTS**

The Bank has a key man life insurance policy on Mr. Hale in the amount of \$3,000,000.

The Company and the Bank are parties to an Employment Agreement with George H. Mantakos dated May 1, 1995, pursuant to which Mr. Mantakos is employed as the President of the Bank. The agreement provides for an annual salary of \$125,000 which may be adjusted on the anniversary date of the agreement to an amount to be approved by the Board of Directors. Mr. Mantakos is entitled to participate in any management bonus plans established by the Bank and to receive all benefits offered to employees. Mr. Mantakos will, at the discretion of the Chairman, have the opportunity to receive a bonus in a maximum amount of \$20,000 per year. The Compensation Committee is empowered to grant a larger bonus to Mr. Mantakos. Mr. Mantakos receives the use of an automobile provided by the Bank. The term of the Employment Agreement is one year, expiring May 1, 2006 and, if not terminated within 90 days of its termination date, is automatically renewed for one additional year, provided, however, that the Board of Directors of the Bank may terminate the agreement at any time. In the event of involuntary termination for reasons other than gross negligence, fraud or dishonesty (or in the event of the material diminution of or interference with Mr. Mantakos' duties, or a change of control of the Bank), the Bank is obligated to pay Mr. Mantakos his salary through the remaining term plus additional severance equal to the then current annual salary, but not less than \$110,000. In such event, Mr. Mantakos is permitted to exercise all options, and warrants held by him, and the Company is obligated to purchase all of the Common Stock owned by Mr. Mantakos at the time of the involuntary termination and all of the Common Stock owned by him after he exercises all of his options and warrants.

#### **CHANGE IN CONTROL AGREEMENTS**

The Company has entered into Change in Control Agreements with Messrs. Hale, Mantakos, Cicero, and Keidel.

The agreements provide severance payments to these executives should a change in control result in a loss of employment, or a significant change in his or her employment. Under the agreement Messrs. Hale, Mantakos, and Cicero would be entitled to severance payments equal to 2.99 times annual compensation, while Mr. Keidel would receive 1.99 times his annual compensation.

#### **RETIREMENT SAVINGS**

The Company maintains a defined contribution plan, which was established in 1997. The plan covers the Company's employees meeting certain age and service eligibility requirements. The plan provides for cash deferrals qualifying under Section 401(k). The Company makes matching contributions to the plan, consisting of a 50% matching for the first two percent contributed by the employee and 25% matching for the next four percent contributed by the employee. The Company's contributions to the plan for Messrs. Hale, Cicero, Mantakos and Keidel are set forth in Note (2) to the Summary Compensation Table.

## **OTHER BENEFITS**

The Company provides life insurance benefits to Messrs. Hale, Mantakos, Cicero and Keidel in an amount equal to two times base annual salary during their employment up to a maximum of \$300,000. The Company has agreed to provide post-employment life insurance benefits for these executives of \$100,000, subject to a predetermined vesting schedule.

## **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The functions of the Compensation Committee include, administering management incentive compensation plans, establishing the compensation of officers and reviewing the compensation of directors. The Board of Directors has adopted a written charter for this committee setting out the functions that this committee is to perform. A copy of the charter is available on the Company's website.

The Compensation Committee of the Board consists of Mr. Bondroff, Mr. Sibel and Ms. Brown, who are non-employee directors and have no interlocking relationship or insider participation as defined by the Securities and Exchange Commission. None of the Company's executive officers serves on the Board of Directors or Compensation Committee of a company that has an executive officer that serves on the Company's Board or Compensation Committee. No member of the Company's Board is an executive officer of a company in which one of the company's executive officers serves as a member of the Board of Directors or Compensation Committee of that company.

## **COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

The objectives of the Company's management compensation policy are to attract and retain the best available executive officers; to motivate them to achieve the goals set forth in the Company's business plan; to link executive and stockholder interest through equity-based compensation; and to provide a compensation package that recognizes the executive's contribution, as well as the Company's performance, measured by both short-term and long-term achievements.

The management compensation policy and the general compensation policies of the Company are established by the Compensation Committee of the Board (the Compensation Committee). The Compensation Committee formulates the compensation policy and specific compensation levels for executive officers and administers the Company's equity based compensation plans. Each member of the Compensation Committee is a non-employee director. From time to time, the Compensation Committee retains independent compensation consultants to work on its compensation matters. The Board of Directors approves the recommendations of the Compensation Committee.

## **COMPENSATION OF CHIEF EXECUTIVE OFFICER**

The Compensation Committee meets regularly to assess the compensation of the Chief Executive and Other Executive officers of the company. In evaluating executive compensation, the committee regularly engages external professionals to conduct peer studies, as well as assessments of the competitive market for executives, and new developments in the area of executive compensation. The committee believes that the compensation of the Chief Executive Officer, Edwin F. Hale, Sr., should be based largely upon corporate performance relative to the Company's business plan. The committee also considers the key role Mr. Hale plays in the continued development and expansion of the Company, its substantial growth, the significance of the public awareness of the Company and the development of commercial and consumer business of the bank.

Under Mr. Hale's leadership, the Company has continued to reflect solid growth and increasing profits, as evidenced in the Company's growth and performance since its formation in 1995. The Company's profits in 2005 were a record for the fifth consecutive year, increasing 28% over 2004 profits.

The Company's profits have increased over 230% since 2001. The Company continues to grow at significant rates while stressing conservative loan underwriting practices that have resulted in strong asset quality measures. In the 10+ years since the Company's formation, we have grown to be the fourth largest publicly traded bank holding company headquartered in Maryland.

Mr. Hale has been an integral part of the Company's sales and marketing efforts, actively participating in the Company's marketing strategies and serving as spokesman in the Company's radio and television advertising. Through Mr. Hale's efforts, the Company enjoys name recognition of approximately 90% in the Baltimore Metropolitan area based upon an independent market study. Through his leadership of the Bank, as well as other public civic and private endeavors, Mr. Hale has become a very visible and respected business leader in the Bank's operating area.

Mr. Hale has also been a critical factor in the Company's success in raising capital to support its continued growth. Mr. Hale's banking experience and credibility in the capital markets has been instrumental in successful capital raising efforts in 1995, 1998, 2001, 2002, 2003, 2004 and most recently, in the fourth quarter of 2005, all of which have supported the Company's continued growth.

Based upon the competitive peer data reviewed, and the various forms of compensation received by executives of other financial services organizations in the region, the committee set Mr. Hale's base salary for 2005 at \$504,000, an increase of 5% compared to 2004. Mr. Hale received bonus payments in 2005 totaling \$392,120, compared to \$244,000 in 2004 in accordance with the Company's annual executive bonus plan, which is based on a formula tied directly to corporate performance and profitability, including exceeding the Company's budgeted earnings targets. Additionally, the committee granted options to purchase 60,000 shares of common stock at an exercise price of \$17.77. Mr. Hale received no option grant in 2004.

#### **COMPENSATION OF OTHER EXECUTIVE OFFICERS**

Recommendations regarding the base salary of the Executive Officers, other than the Chief Executive Officer, are made to the Compensation Committee by the Chief Executive Officer and either approved or modified by the Compensation Committee. The recommendation as to the bonus paid to each Executive Officer is based upon a review of the performance of these officers during the prior year by the Chief Executive Officer and includes the factors described in the preceding section on compensation of the Chief Executive Officer. The Compensation Committee concurred with the recommendations made by the Chief Executive Officer.

Mr. Cicero, Mr. Mantakos and Mr. Keidel were granted options to purchase 30,000, 22,500 and 15,000 shares respectively in 2005.

#### **SUBMITTED BY THE COMPENSATION COMMITTEE OF FIRST MARINER**

##### **BANCORP BOARD OF DIRECTORS**

Barry B. Bondroff, Chair

Edith B. Brown

Hanan Sibel

## AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors of the Company is comprised of three independent directors (as independence is defined in the National Association of Securities Dealers' listing standards). The Audit Committee is responsible for overseeing the Company's accounting functions and controls, and Final Rules, as well as recommending to the Board of Directors an accounting firm to audit the Company's financial statements. The Board of Directors has adopted a charter for the Audit Committee (the Charter) to set forth its responsibilities.

As required by the Charter, the Audit Committee received and reviewed the report of Stegman & Company regarding the results of their audit, as well as the written disclosures and the letter from Stegman & Company required by Independence Standards Board Standard No. 1. The Audit Committee reviewed and discussed the audited financial statements with the management of the Company. A representative of Stegman & Company also discussed with the Audit Committee the independence of Stegman & Company, as well as the matters required to be discussed by Statement of Auditing Standards 61. Discussions between the Audit Committee and the representative of Stegman & Company included the following:

- Stegman & Company's responsibilities in accordance with generally accepted auditing standards;
- The initial selection of, and whether there were any changes in, significant accounting policies or their application;
- Management's judgments and accounting estimates;
- Whether there were any significant audit adjustments;
- Whether there were any disagreements with management;
- Whether there was any consultation with other accountants;
- Whether there were any major issues discussed with management prior to Stegman & Company's selection;
- Whether Stegman & Company encountered any difficulties in performing the audit;
- Stegman & Company's judgments about the quality of the Company's accounting principles;
- Stegman & Company's responsibilities for information prepared by management that is included in documents containing audited financial statements.

In addition, the Audit Committee must:

- Pre-approve audit and permissible non-audit services provided by Stegman & Company either on an engagement by engagement basis, or pursuant to established policies and procedures
- Disclose in appropriate filings the fees paid to Stegman & Company categorized as Audit Fees, Audit Related Fees, Tax Fees and All Other Fees for the past two (2) years.
- Ensure Compliance with Regulation FD, Regulation G and Regulation BTR
- Ensure that the Audit Committee has as a member qualified as an Audit Committee Financial Expert.

Edgar Filing: BRADY CORP - Form SC 13G

Based on its review of the financial statements and its discussions with management and the representative of Stegman & Company, the Audit Committee did not become aware of any material misstatements or omissions in the financial statements. Accordingly, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2005, to be filed with the SEC.

SUBMITTED BY THE AUDIT COMMITTEE OF FIRST MARINER  
BANCORP BOARD OF DIRECTORS

Michael R. Watson, Chair  
Barry B. Bondroff  
John Brown III

18

---

**PERFORMANCE GRAPH**

The following graph compares the performance of the Company's Common Stock, with the performance of a broad market index and a nationally-recognized industry standard assuming in each case both an initial \$100 investment on December 31, 2000 and reinvestment of dividends as of the end of the Company's fiscal years. The Company has selected the Nasdaq Market Index as the relevant broad market index because prices for the Company's Common Stock are quoted on Nasdaq National Market. Additionally, the Company has selected the Nasdaq Bank Index as the relevant industry standard because such index consists of financial institutions which the Company believes generally possess assets, liabilities and operations more similar to the Company than other publicly-available indices. However, given the short history of the Company's operations and its rapid growth, the Company believes no truly appropriate comparative index exists.

	Period Ending					
	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05
First Mariner Bancorp	100.00	229.00	275.25	465.00	439.00	437.50
Nasdaq Bank Stock	100.00	110.08	115.05	149.48	165.92	158.73
NASDAQ Market Index	100.00	78.95	54.06	81.09	88.06	89.27

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has had in the past, and expects to have in the future, banking transactions in the ordinary course of business with directors and executive officers on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with other unaffiliated persons and, in the opinion of management, these transactions do not and will not involve more than the normal risk of collectibility or present other unfavorable features. Included in our portfolio are loans outstanding from the Company to Edwin F. Hale, Sr. in the aggregate amount of \$650,000 at December 31, 2005, which loans do not involve more than the normal risk of collectibility and bear interest and are collateralized on terms prevailing for comparable transactions.

We lease from Hale Properties, LLC, a company owned by Edwin F. Hale, Sr., CEO of the Company, 34,500 square feet of general office space at 1516 Baylis Street, Baltimore, Maryland, which houses a significant portion of the Company's servicing and operations units. We paid \$389,000 rent expense on this location in 2005. We also lease 18,400 square feet of storage space and disaster recover facilities at two other location owned by Mr. Hale. In 2005, we paid \$140,000 in rent for these facilities. For the first three months of 2005, we also leased our headquarters building from Hale Properties, LLC. Rent expense on this location amounted to approximately \$277,000 for 2005. In March 2005, we purchased the building from Mr. Hale for a purchase price of \$20 million which was paid as follows: (i) the Company assumed the outstanding principal balance of the existing loan on the building of approximately \$10,000,000, and (ii) the Company paid the difference between the outstanding principal balance on the loan and the purchase price in cash. The purchase price was based on independent appraisals performed on behalf of the Company, and the purchase was approved by the Company's Audit Committee and the independent members of the Board of Directors.

In May of 2005, we signed a lease for approximately 56,500 square feet of office space in a new building currently under construction by Mr. Hale. On November 15, 2005, we signed an amendment to the lease that increased the square footage we will occupy to 74,061. This building is adjacent to the current headquarters building at 3301 Boston Street and is anticipated to be completed in the second quarter of 2006. At that time the operations facility at 1516 Baylis Street will be vacated. The additional space will be utilized for growth and the annual rent will be approximately \$1.851 million.

We have a letter of credit with the Baltimore Blast, a professional soccer team owned by Edwin F. Hale, Sr., in the amount of \$400,000 that is secured by cash.

We have obtained the naming rights to the major indoor sports/entertainment facility in Baltimore from Mr. Hale who obtained them from the City of Baltimore. We pay Mr. Hale \$75,000 per year for the naming rights, which is the same as Mr. Hale pays the City of Baltimore. We have a letter of credit with the City of Baltimore in the amount of \$375,000 securing performance under the contract.

We have a letter of credit with Canton Crossing, LLC, a limited liability company wholly owned by Mr. Hale for \$363,000 that is secured by cash.

The Audit Committee and the independent members of the Board of Directors has reviewed and approved the above transactions and believes them to be fair and reasonable, on terms at least as favorable as those that could be obtained from a third party, and in the best interest of the Company.

The Company also sponsors the activities of the Baltimore Blast. The Company paid approximately \$150,000 for a sponsorship package which includes printed material and Company banners displayed at Baltimore Blast games, prize giveaways, free tickets, and employee recognition nights. The Audit Committee approved this sponsorship and reported such approval to the Board of Directors.

**CODE OF CONDUCT AND ETHICS**

The Company has an Employee Code of Conduct and Ethics Policy approved by the Board of Directors that applies to all employees, directors, and officers of the Company, including our principal executive officer, principal financial officer and principal accounting officer. We require all directors, officers and employees to adhere to the Code of Conduct and Ethics Policy in addressing the legal and ethical issues encountered in conducting their work. All employees are required to certify that they have reviewed the Code of Conduct and Ethics Policy and understood it. Additionally, the Company has adopted an Executive Code of Conduct and Ethics that addresses (i) blackout period prohibitions on trading in the Company's securities; (ii) prohibitions against insider trading; (iii) corporate opportunities; and (iv) the policy regarding loans to insiders.

21

---



**Proposal Two:  
STOCKHOLDER PROPOSAL RELATING TO SEPARATION OF POSITIONS OF CHAIRMAN OF  
THE BOARD AND CHIEF EXECUTIVE OFFICER**

Mr. John F. Maas, 14610 Ballantyne Lake Road #832, Charlotte, North Carolina 28277, the beneficial owner of 3796.413 shares of common stock, has advised the Company that he plans to introduce the following resolution at the Annual Meeting:

RESOLVED:

The shareholders of First Mariner Bancorp (FMB) urge the Board of Directors to adopt a policy that the Chairman of the Board and Chief Executive Officer be two different individuals and the Chairman be an independent director, elected by the directors.

SUPPORTING STATEMENT

In May 2005 this proposal received 20.7% of the votes cast.

In my opinion, the purpose of the Board of Directors is to protect shareholders' interests by providing independent oversight of managements, including the CEO. I believe that a separation of the roles of Chairman and CEO will promote greater management accountability to shareholders. An independent Chairman will strengthen the Board's integrity and improve oversight of management.

The NACD Blue Ribbon Commission on Director Professionalism recommended an independent director should be charge with organizing the board's evaluation of the CEO and providing continuous ongoing feedback; chairing the executive sessions of the board; setting the agenda with the CEO, and leading the board in anticipating and responding to crises. (*Report of the NACD Blue Ribbon Commission on Director Professionalism*. Washington, D.C.: National Association of Corporate Directors, 1996, reissued 2001).

Chancellor William B. Chandler III of Delaware Chancery Court in his August 2005 decision involving Disney pointed out a problem that can arise when the two positions are not separate. The judge stated, *Eisner stacked his (and I intentionally write his as opposed to the company's) board of directors with friends and other acquaintances who, though not necessarily beholden to him in a legal sense, were certainly more willing to accede to his wishes and support him.*

Institutional investors have found that a strong objective board leader can best provide the necessary oversight of Management. CalPERS Corporate Governance Core Principles and Guidelines states that the independence of a majority of the Board is not enough and that the leadership of the board must embrace independence, and it must ultimately change the way in which directors interact with management. (CalPERS Corporate Governance Core Principles & Guidelines: The United States April 13, 1998, III.A).

The Baltimore Business Journal reported on 4/9/2004

When companies do business with firms owned by an officer or board member, it is known as a related party transaction. The practice isn't uncommon, but it is receiving increased scrutiny from shareholder advocates who feel it may serve the management's interests, not those of shareholders.

Institutional Shareholder Services said in a report last year that Hale's involvement in related party transactions negatively affected First Mariner's corporate governance ranking

Last year, First Mariner, founded in 1995, ranked in the lowest third of about 22,000 public companies ISS surveyed on their corporate governance practices.

Andrew Grove, chairman of Intel Corporation, stated "The separation of the two jobs goes to the heart of the conception of a corporation. Is a company a sandbox for the CEO, or is the CEO an employee? If he is an employee, he needs a boss, and that boss is the board. The chairman runs the board. How can the CEO be his own boss?" (*BusinessWeek*, November 11, 2002).

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL FOR THE FOLLOWING REASONS**

The Board strongly endorses the view that one of its primary functions is to protect stockholders' interests by providing independent oversight of management, including the CEO. However, the Board does not believe that mandating a particular structure, such as a separate chairman and CEO, is necessary to achieve effective oversight.

The same proposal has been submitted by Mr. Maas for each of the last four years. The stockholders of the Company defeated a similar proposal submitted by Mr. Maas at the 2005 annual meeting, rejecting it by more than a majority (79.3%) of shares voted by stockholders. The Board of Directors continues to believe that the proposal is not in the best interests of the Company or its stockholders. The Board believes that our Company is best served by having Mr. Hale, who is also a large stockholder, serve as both Chairman and Chief Executive Officer. In this manner, the Chairman, whose interests in the opinion of the Board are aligned with the interest of the public stockholders, acts as a bridge between the Board and the operating organization and provides critical leadership for strategic initiatives.

Under Mr. Hale's leadership the Company has continued to reflect solid growth and increasing profits, as evidenced in the Company's growth and performance since its formation in 1995. The Company's profits in 2005 were a record for the fifth consecutive year, increasing 28% over 2004 profits. The Company continues to grow at significant rates while stressing conservative loan underwriting practices, which have resulted in strong asset quality measures. In the 10+ years since the Company's formation, we have grown to be the fourth largest bank holding company headquartered in Maryland.

Mr. Hale has been an integral part of the Company's sales and marketing efforts, actively participating in the Company's marketing strategies and serving as spokesman in the Company's radio and television advertising. Through Mr. Hale's efforts, the Company has enjoyed name recognition of 89%-94% in the Baltimore Metropolitan area based upon independent market studies conducted by Marshall Marketing in the last few years on behalf of WBAL. Through his leadership of the Bank, as well as other public civic and private endeavors, Mr. Hale has become a very visible and respected business leader in the Bank's operating area.

Mr. Hale has also been a critical factor in the Company's success in raising capital to support its continued growth. Mr. Hale's banking experience and credibility in the capital markets has been instrumental in successful capital raising efforts in 1995, 1998, 2001, 2002, 2003, 2004 and most recently, in the fourth quarter of 2005, all of which have supported the Company's continued growth.

The Board of Directors believes that independent oversight of management is effectively conducted and maintained through the Board. In fact, 12 of the 15 current directors, and each of the two new nominees up for election at the Annual Meeting, are independent directors and the Chairman has no greater nor lesser vote on matters considered by the Board than any other director.

Moreover, in addition to the full Board, all various committees of the Board are comprised by a majority of independent directors. The Compensation Committee of the Board consists of three directors, all independent; as detailed in its report appearing elsewhere in this proxy statement, the Compensation Committee reviews and evaluates the performance of all executive officers of the Company including the Chief Executive Officer and reports to the Board. The Audit Committee, which is comprised solely of independent directors, oversees the Company's financial practices, regulatory compliance, accounting procedures and financial reporting functions. In addition, the Audit Committee, is specially entrusted by

law to pass on related party transactions and possible conflicts of interest, if any. Furthermore, as a regulated entity, any related party transactions are closely scrutinized by federal and state government agencies that regularly examine the Company. In the opinion of the Board of Directors, an independent chairman does not add any value to this already effective process.

Finally, all directors of the Company, including the Chairman, are bound by fiduciary obligations, imposed by law, to serve the best interests of the stockholders. Separating the offices of Chairman and Chief Executive Officer would not serve to enhance or diminish the fiduciary duties of any director of the Company.

The Board believes that the interests of the Company and its stockholders are best served at this time by the experienced leadership and decisive direction provided by a full-time Chairman and Chief Executive Officer, subject to oversight by the Company's independent directors. The Board and the Company is strengthened by the presence of Mr. Hale, who provides strategic, operational, and technical expertise, broad vision and a proven ability to lead the Company to the successes it has experienced. The Board believes that success is promoted by active and independent directors and loyal and hard-working executives who act consistently with a strong set of corporate governance ethics, rather than a particular Board structure. The Board believes that it needs to retain the ability to balance board structure with the flexibility to determine board leadership.

The Board believes therefore, that this proposal is not in the best interest of the Company or its stockholders and unanimously recommends a vote **AGAINST** approval of the proposal to separate the office of Chairman and Chief Executive Office, and the accompanying proxy will be so voted, unless a contrary specification is made.

#### **RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS**

Stegman & Company performed the audit of the Company's financial statements for the year ended December 31, 2005, and the Audit Committee has appointed Stegman & Company to be the Company's auditors for the fiscal year ended December 31, 2006. A representative of Stegman & Company will be present at the Annual Meeting and will be given the opportunity to make a statement if they so desire, and will answer appropriate questions directed to them relating to their audit of the Company's consolidated financial statements.

#### **PRINCIPAL AUDITOR FEES AND SERVICES**

##### **Audit and Non-Audit Fees**

The following table shows the fees paid or accrued by the Company for the audit and other services provided by Stegman & Company in 2005 and 2004:

<b>Services Performed</b>	<b>2005</b>	<b>2004</b>
Audit Fees (1)	\$ 134,750	\$ 124,000
Audit-Related Fees (2)	\$ 9,500	\$ 19,500
Tax Fees (3)	\$ 13,250	\$ 11,250
All Other Fees	\$ 0	\$ 0
<b>Total Fees</b>	<b>\$ 157,500</b>	<b>\$ 154,750</b>

(1) Audit fees represent fees for professional services provided in connection with the audit of the Company's financial statements and review of the financial statements included in the Company's 10-Q and 10-K filings, and services that are normally provided in connection with statutory and regulatory filings or engagements.

(2) Audit-related fees are fees for services performed by Stegman & Company that are reasonably related to the performance of the audit or review of the Company's financial statements. This includes auditing the Company's 401(k) plan and review of various registration statements.

(3) Tax fees are fees for professional services performed by Stegman & Company with respect to tax compliance, tax preparation, tax advice and tax planning in 2004 and 2005.

#### **Pre-Approval of Audit and Non-Audit Services**

In 2003, the SEC adopted a rule pursuant to the federal Sarbanes-Oxley Act of 2002 that, except with respect to certain *de minimis* non-audit services, as defined in Section 10A(i)(1) of the Exchange Act, requires Audit Committee pre-approval of audit and non-audit services provided by the Company's independent auditors. In recognition of this responsibility, the following provision is included in the Audit Committee's charter: In carrying out [its] responsibilities, the Committee will . . . pre-approve all audit and permitted non-audit services in accordance with Section 202 of the [Sarbanes-Oxley] Act [of 2002] and the SEC rules promulgated thereunder. All of the services described above were pre-approved by the Audit Committee pursuant to this SEC rule. No fees were paid to the independent registered public accounting firm pursuant to the *de minimis* exception to the foregoing pre-approval policy.

#### **AUDIT COMMITTEE CONSIDERATION**

After due consideration, the Audit Committee has concluded that the provision by Stegman & Company of the non-audit services described above is not incompatible with the maintenance by Stegman & Company of its independence.

#### **STOCKHOLDER PROPOSALS**

Any stockholder desiring to present a proposal pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended to be included in the proxy statement and voted on by the stockholders at the Annual Meeting of Stockholders to be held in May 2007 must submit in writing proposals, including all supporting materials, to the Company at its principal executive offices no later than December 4, 2006 (120 days before the date of mailing based on this year's proxy statement date) and meet all other requirements for inclusion in the proxy statement. Additionally, pursuant to the Company's By-laws, if a stockholder intends to nominate a person for the election to the Company's Board of Directors or present a proposal for business to be considered at the 2007 Annual Meeting of Stockholders but does not seek inclusion of the nomination or proposal in the Company's proxy statement for such meeting, the Company must receive the nomination or proposal after December 4, 2006 and before January 3, 2007 for it to be considered timely received. If the notice of a stockholder nomination or proposal is not timely received, the Company will be authorized to exercise discretionary voting authority with respect to the nomination or proposal.

**ANNUAL REPORT**

**THE COMPANY'S ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2005 IS ENCLOSED HERewith. COPIES OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2005, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, ARE AVAILABLE TO STOCKHOLDERS WITHOUT CHARGE UPON A WRITTEN REQUEST DIRECTED TO EUGENE A. FRIEDMAN, SECRETARY, FIRST MARINER BANCORP, 3301 BOSTON STREET, BALTIMORE, MARYLAND 21224.**

**OTHER MATTERS**

The Board of Directors knows of no other business to be presented for action at the Meeting, but if any other business should properly come before the Meeting, it is intended that the proxies will be voted in accordance with the best judgment of the persons acting thereunder in their discretion.

By Order of the Board of Directors,  
Eugene A. Friedman  
SECRETARY

ANNUAL MEETING OF STOCKHOLDERS OF

**FIRST MARINER BANCORP**

May 2, 2006

**Proof #1**

Please date, sign and mail  
your proxy card in the  
envelope provided as soon  
as possible.

Please detach along perforated line and mail in the envelope provided.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE $\checkmark$								
				FOR	AGAINST	ABSTAIN		
1. Election of Directors:				2.	Proposal by a stockholder regarding the separation of the positions of Chairman of the Board and Chief Executive Officer.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>NOMINEES:</b>								
<input type="radio"/>	<b>FOR ALL NOMINEES</b>	Joseph A. Cicero	(Term Expiring 2009)					
		Howard Friedman	(Term Expiring 2009)					
<input type="radio"/>	<b>WITHHOLD AUTHORITY FOR ALL NOMINEES</b>	John J. Oliver, Jr.	(Term Expiring 2009)	<b>The Board of Directors recommends a vote AGAINST proposal 2.</b>				
		John McDaniel	(Term Expiring 2009)					
		Robert Caret	(Term Expiring 2009)	<b>TO INCLUDE ANY COMMENTS, USE THE COMMENTS BOX ON THE REVERSE SIDE OF THIS CARD.</b>				
<input type="radio"/>	<b>FOR ALL EXCEPT</b>							

Edgar Filing: BRADY CORP - Form SC 13G

	(See instructions below)						
<p><b>INSTRUCTION:</b> withholding of a vote will be counted as a vote against a nominee. To withhold authority to vote for any individual nominee(s), mark <b>FOR ALL EXCEPT</b> and fill in the circle next to each nominee you wish to withhold, as shown here:</p>							
						I plan to attend the meeting.	<input type="radio"/>
To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.				<input type="radio"/>	<input type="radio"/>		

Signature of  
Stockholder

Date:

Signature of  
Stockholder

Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

**Proof #1**

1

**FIRST MARINER BANCORP**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**MAY 2, 2006**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned stockholder of First Mariner Bancorp (the Company) hereby appoints Dennis Finnegan and Eugene A. Friedman and each of them acting singly, with full power of substitution, the attorneys and proxies of the undersigned and authorizes them to represent and vote on behalf of the undersigned as designated all of the shares of capital stock of the Company that the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held on May 2, 2006, and at any adjournment or postponement of such meeting for the purposes identified on the reverse side of this proxy and with discretionary authority as to any other matters that may properly come before the Annual Meeting, including substitute nominees, if any of the named nominees for Director should be unavailable to serve for election in accordance with and as described in the Notice of Annual Meeting of Stockholders and Proxy Statement. This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder. **If this proxy is returned without direction being given, this proxy will be voted FOR proposal 1 and AGAINST proposal 2.** The undersigned acknowledges receipt of the Company's 2005 Annual Report and the Notice of the Annual Meeting of the Company.



(Continued and to be signed on the reverse side.)

COMMENTS:

14475

---