

BRUSH ENGINEERED MATERIALS INC

FORM 8-K (Unscheduled Material Events)

Filed 5/8/2006 For Period Ending 5/8/2006

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CIK	0001104657
Industry	Metal Mining
Sector	Basic Materials
Fiscal Year	12/31

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported):

May 8, 2006

Brush Engineered Materials Inc.

(Exact name of registrant as specified in its charter)

Ohio

001-15885

34-1919973

(State or other jurisdiction
of incorporation)

(Commission
File Number)

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

17876 St. Clair Avenue, Cleveland, Ohio

44110

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

216-486-4200

Not Applicable

Former name or former address, if changed since last report

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

EXECUTIVE OFFICER COMPENSATION - EQUITY PLAN AND AWARDS

Approval of 2006 Stock Incentive Plan.

On May 2, 2006 the shareholders of Brush Engineered Materials Inc. (the "Company") approved the 2006 Incentive Compensation Plan (the "2006 Plan"), including performance goals listed in the 2006 Plan, at the company's Annual Meeting of Shareholders. The 2006 Plan replaces the Company's 1995 Stock Incentive Plan (as amended and restated as of March 3, 1998, as amended), which terminated on May 2, 2005. The 2006 Plan authorizes the Organization and Compensation Committee of the Company's Board of Directors (the "Committee") to provide equity-based compensation in the form of performance restricted shares, performance shares, performance units, restricted shares, option rights, stock appreciation rights ("SARs") and restricted stock units for the purpose of providing the Company's officers, salaried employees and consultants incentives and rewards for superior performance. Total awards under the 2006 Plan are limited to 1,250,000 common shares without par value. The 2006 Plan is designed to allow awards made under the 2006 Plan to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. The full text of the 2006 Plan is attached as Appendix B to the Company's Proxy Statement filed with the Securities and Exchange Commission on March 16, 2006 and filed as Exhibit 10.1 to this Form 8-K.

Performance Restricted Shares and Performance Shares.

As previously reported (see the Company's Form 8-K dated March 7, 2006 filed with the Commission on March 13, 2006), on March 7, 2006 the Committee awarded Performance Restricted Shares and Performance Shares to the executive officers of the Company, as well as certain other key employees, contingent upon shareholder approval of the 2006 Plan, which will be earned if specified levels of cumulative operating profit over three years are achieved. On May 2, 2006, the Committee approved the definitive form of the award agreement pertaining to such shares, which is filed as Exhibit 10.2 to this Form 8-K.

Stock Appreciation Rights.

On May 2, 2006, the Committee also awarded SARs under the 2006 Plan to the Company's executive officers as follows:

Richard J. Hipple, Chairman, Chief Executive Officer and President--38,700 rights

John D Grampa, VP Finance and CFO--14,000 rights

Daniel A. Skoch, Senior VP Administration--14,000 rights

The definitive form of award agreement pertaining to these shares, is filed as Exhibit 10.3 to this Form 8-K.

EXECUTIVE OFFICER COMPENSATION – OTHER

Compensation Increase for Richard J. Hipple.

In connection with the appointment of Richard J. Hipple to his new position as Chairman, Chief Executive Officer and President, as referenced in Item 5.02 below, effective May 2, 2006, the Committee approved an increase in Mr. Hipple's annual compensation from \$365,000 to \$500,000. In addition, the Company increased the percentage of Mr. Hipple's salary to be used in determining Mr. Hipple's annual incentive compensation under the 2006 Management Performance Compensation Plan from 40% to 53% at target.

Severance Agreements.

The Company has previously entered into severance agreements with its executives officers and other key employees, providing for severance benefits in certain events following a "change of control" of the Company. On May 2, 2006, the Committee approved new forms of severance agreements. The new forms were updated to comply with Section 409A of the Internal Revenue Code. In addition, the form applicable to the Company's executive officers was changed to provide severance benefits in the event of certain types of involuntary termination prior to a change of control.

The forms of Severance Agreements for executive officers and key employees are being filed as Exhibits 10.4 and 10.5, respectively, to this Form 8-K.

All of the severance agreements provide that if after a "change of control" of the Company, as defined in the agreements, the executive's employment is terminated by the Company or one of its affiliates except for cause, or he resigns within one month after the first anniversary of the change, or the nature and scope of his duties worsens or certain other adverse changes occur and the Board of Directors so decides, then severance benefits will apply. For Messrs. Hipple, Grampa and Skoch, if applicable, at the time of a change of control, severance benefits include rights to a lump sum payment of three times salary and incentive compensation; a lump sum payment of three times any special award paid in lieu of benefits under the Company's former Supplemental Retirement Benefit Plan for the year in which termination occurs; the continuation of retiree medical and life insurance benefits for three years; a lump sum payment of three times the benefit under the Company's Executive Deferred Compensation Plan II for the year in which termination occurs; a lump sum payment equal to the sum of the present value of any bonus he would have received under any long-term incentive plan (assuming attainment of the plan target rate); any retirement benefits he would have earned under the Company's qualified retirement plans during the next three years; and the cash value of certain other benefits.

The severance benefits payable in such circumstances to the employees other than Messrs. Hipple, Grampa and Skoch are essentially the same, except that the other key employees are eligible to receive a lump sum payment of two times versus three times of the qualified compensation and benefits. All equity incentive awards also vest under all these severance agreements, and all stock options become fully exercisable, if the severance benefits are applicable. A termination or demotion following the commencement of discussions with a third party which ultimately result in a change in control will also activate severance benefits. Payments and benefits under the severance agreements are subject to reduction in order to avoid the application of the excise tax on "excess parachute payments" under the Internal Revenue Code, but only if the reduction would increase the net after-tax amount received by the executive.

Under these agreements, each executive agrees not to compete with the Company during employment or for one year thereafter; not to solicit any of our employees, agents or consultants to terminate their relationship with us; and to protect our confidential business information. Each executive also assigns to us any intellectual property rights he may otherwise have to any discoveries, inventions or improvements made while in our employ or within one year thereafter. Brush Engineered Materials must secure its performance under the severance agreements through a trust which is to be funded upon the change in control, and amounts due but not timely paid earn interest at the prime rate plus 4%. The Company must pay attorneys' fees and expenses incurred by an executive in enforcing his rights under his severance agreement following a change of control.

As noted above, the updated severance agreements for Messrs. Hipple, Grampa and Skoch provide for two-year severance benefits in the event of the executive's involuntary termination of employment by the Company or one of its affiliates except for cause or gross misconduct, or if he resigns as a result of a reduction in his salary or incentive pay opportunity, provided that such a reduction in salary or incentive pay opportunity is not part of a general reduction in executive officer compensation opportunity. Also, the revised agreements provide that each executive agrees not to compete with the Company during employment or for two years following an involuntary termination of employment. The executives will not be entitled to receive both the three-year severance benefits following a change of control and the two-year severance benefits upon an involuntary termination of employment. The involuntary termination feature was provided to Messrs. Hipple, Grampa and Skoch to assure an orderly and successful management transition.

Final Special Award for Gordon D. Harnett.

As previously reported, in 2002 the Company discontinued its Supplemental Retirement Benefit Plan for Gordon D. Harnett, then serving as the Company's Chief Executive Officer, as well as a few other participants in exchange for amounts paid in settlement of the Company's obligation. As a result, their retirement benefit was limited to the amount provided by the qualified pension plan. At its May 2, 2006 meeting, consistent with the actions taken in prior years with respect to Mr. Harnett and the other form participants, the Committee exercised its discretion to authorize a special award to Mr. Harnett in the amount of \$310,011, as a final payment to him in lieu of a supplemental plan in connection with his retirement, as referenced in Item 5.02 below.

DIRECTOR COMPENSATION

Approval of 2006 Non-Employee Director Equity Plan.

On May 2, 2006, the shareholders also approved the Company's 2006 Non-Employee Director Equity Plan (the "Director Plan") at the Company's Annual Meeting of Shareholders. The Director Plan replaced the 1997 Stock Incentive Plan for Non-Employee Directors (As Amended and Restated as of May 1, 2001, as further amended) and the 2005 Deferred Compensation Plan for Non-Employee Directors. Subject to adjustment as provided in the Director Plan, a total of 150,000 shares are available for issuance under the Director Plan.

Each member of the Board of Directors who is not an employee of the Company will be eligible to receive awards and common shares under the Director Plan. The plan provides that the Governance Committee of the Company's Board of Directors may grant stock option, SARs, restricted stock, restricted stock units, other stock awards and deferred stock units to participants under the Director Plan. Under the terms of the Director Plan, unless otherwise determined by the Governance Committee, the following awards will be made automatically:

1. On the business day following the day a participant is first elected or appointed to the Board of Directors, such participant will be granted Common Shares equal to \$100,000 divided by the fair market value of a Common Share on the day the participant is elected or appointed to the Board; and
2. On the business day following the annual meeting of shareholders beginning with the 2006 annual meeting, each participant will be granted the number of restricted stock units equal to \$45,000 divided by the fair market value of a common share on the day of the annual meeting. Such restricted stock units will be paid-out in common shares at the end of a one-year restriction period unless the participant elects to be paid in deferred stock units.

In addition, under the Director Plan, any participant may elect to have all or any portion of the cash portion of his or her Director Compensation paid in common shares and may further elect to have all or any portion of any Director Compensation that the participant has elected to receive in common shares and any awards granted as Director Compensation paid in the form of deferred stock units.

The full text of the Director Plan is set forth in Appendix C to the Proxy Statement and filed as Exhibit 10.6 to this Form 8-K.

2006 Annual Equity Awards.

Pursuant to the Director Plan as described above, on May 3, 2006 each non-employee Director was credited with 1,873 restricted stock units based on a market value of \$24.03 per share on the day of the Annual Meeting.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On May 2, 2006, Brush Engineered Materials Inc. issued a press release announcing that its Board of Directors has appointed Richard J. Hipple as Chairman, Chief Executive Officer and President. In addition, Gordon D. Harnett has stepped down as Chairman of the Board and Chief Executive Officer as of the conclusion of the Company's Annual Meeting on May 2, 2006. Mr. Harnett will officially retire from the Company on June 2, 2006. The text of the press release is included as Exhibit 99.1 to this Form 8-K.

Item 7.01 Regulation FD Disclosure.

On May 2, 2006, the Board of Directors approved the renaming and restructuring of two of the Company's committees; the Governance Committee and the Organization and Compensation Committee. The Governance Committee has been renamed the Governance and Organization Committee and the Organization and Compensation Committee has been renamed the Compensation Committee. Charters for these committees have been posted to the Company's website.

Item 9.01 Financial Statements and Exhibits.

- 10.1 Brush Engineered Materials Inc. 2006 Stock Incentive Plan
- 10.2 Form of Performance Restricted Shares and Performance Shares Agreement
- 10.3 Form of Appreciation Rights Agreement
- 10.4 Form of Severance Agreement for Executive Officers
- 10.5 Form of Severance Agreement for Key Employees
- 10.6 Brush Engineered Materials Inc. 2006 Non-employee Director Equity Plan
- 99.1 Press release issued by Brush Engineered Materials Inc. on May 2, 2006

The press release issued May 2, 2006 is furnished herewith as Exhibit No. 99.1 to this Report, and shall not be deemed filed for the purposes of Section 18 of the Exchange Act.

SIGNATURES

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.

May 8, 2006

Brush Engineered Materials Inc.

By: Michael C. Hasychak

Name: Michael C. Hasychak

Title: Vice President, Treasurer and Secretary

Exhibit Index

Exhibit No.	Description
10.1	Brush Engineered Materials Inc. 2006 Stock Incentive Plan
10.2	Form of Performance Restricted Shares and Performance Shares Agreement
10.3	Form of Appreciation Rights Agreement
10.4	Form of Severance Agreement for Executive Officers
10.5	Form of Severance Agreement for Key Employees
10.6	Brush Engineered Materials Inc. 2006 Non-employee Director Equity Plan
99.1	Press release, dated May 2, 2006, issued by Brush Engineered Materials Inc.

BRUSH ENGINEERED MATERIALS INC.

2006 STOCK INCENTIVE PLAN

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BRUSH ENGINEERED MATERIALS INC.

2006 STOCK INCENTIVE PLAN

1. Purpose. The purpose of this Plan is to attract and retain officers, other key employees and consultants of Brush Engineered Materials

Inc. (the “Corporation”) and its Subsidiaries and to provide such persons with incentives and rewards for superior performance and to promote equity participation by the officers, key employees and consultants of the Corporation, and thereby reinforcing a mutuality of interest with other shareholders, and permitting officers, key employees and consultants to share in the Corporation’s growth.

2. Definitions. As used in this Plan,

“**Appreciation Right**” means a right granted pursuant to Section 8 of this Plan, including a Free-standing Appreciation Right and a Tandem Appreciation Right.

“**Base Price**” means the price to be used as the basis for determining the Spread upon the exercise of a Free-standing Appreciation Right.

“**Board**” means the Board of Directors of the Corporation.

A “**Change in Control**” of the Corporation shall have the meaning determined by the Committee from time to time.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time.

“**Committee**” means the committee described in Section 10(a) of this Plan.

“**Common Shares**” means (i) Common Shares without par value of the Corporation and (ii) any security into which Common Shares may

be converted by reason of any transaction or event of the type referred to in Section 11 of this Plan.

“Covered Employee” means a Participant who is, or is determined by the Committee to be likely to become, a “covered employee” within the meaning of Section 162(m) of the Code (or any successor provision).

“Date of Grant” means the date specified by the Committee on which a grant of Performance Restricted Shares, Performance Shares or Performance Units, Option Rights, Appreciation Rights or a grant or sale of Restricted Shares or Restricted Stock Units shall become effective, which shall not be earlier than the date on which the Committee takes action with respect thereto.

“Designated Subsidiary” means a subsidiary that is (i) not a corporation or (ii) a corporation in which at the time the Corporation owns or controls, directly or indirectly, less than 80 percent of the total combined voting power represented by all classes of stock issued by such corporation.

“Evidence of Award” means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee which sets forth the terms and conditions of the award granted. An Evidence of Award may be in any electronic medium, may be limited to a notation on the books and records of the Corporation and, with the approval of the Committee, need not be signed by a representative of the Corporation or a Participant.

“Free-standing Appreciation Right” means an Appreciation Right granted pursuant to Section 8 of this Plan that is not granted in tandem with an Option Right.

“Incentive Stock Option” means an Option Right that is intended to qualify as an “incentive stock option” under Section 422 of the Code or any successor provision thereto.

“Management Objectives” means the measurable performance objective or objectives established pursuant to this Plan for Participants who have received grants of Performance Restricted Shares, Performance Shares or Performance Units or, when so determined by the

Committee, Option Rights, Appreciation Rights, Restricted Stock Units or dividend credits. Management Objectives may be described in terms of Corporation-

wide objectives or objectives that are related to the performance of the individual Participant or of the Subsidiary, division, department, region

or function within the Corporation or Subsidiary in which the Participant is employed. The Management Objectives may be relative to the

performance of other companies. The Management Objectives applicable to any award to a Participant who is, or is determined by the Committee to be likely, to become, a Covered Employee shall be limited to specified levels of or growth in one or more of the following criteria:

(i) **Profits** (e.g., operating income, EBIT, EBT, net income, earnings per share, residual or economic earnings — these profitability metrics could be measured before special items and/or subject to GAAP definition);

(ii) **Cash Flow** (e.g., EBITDA, operating cash flow, total cash flow, free cash flow, residual cash flow or cash flow return on investment);

(iii) **Returns** (e.g., profits or cash flow returns on: assets, invested capital, net capital employed, and equity);

(iv) **Working Capital** (e.g., working capital divided by sales, days’ sales outstanding, days’ sales inventory, and days’ sales in payables, or any combination thereof);

(v) **Profit Margins** (e.g., profits divided by revenues, gross margins and material margins divided by revenues, and variable margin divided by sales);

(vi) **Liquidity Measures** (e.g., debt-to-capital, debt-to-EBITDA, total debt ratio, EBITDA multiple);

(vii) **Sales Growth, Cost Initiative and Stock Price Metrics** (e.g., revenues, revenue growth, new product sales growth, growth

in value added sales, stock price appreciation, total return to shareholders, sales and administrative costs divided by sales, sales per employee); and

(viii) **Strategic Initiative Key Deliverable Metrics** consisting of one or more of the following: product development, strategic partnering, research and development, market penetration, geographic business expansion goals, cost targets, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology, increase in yield and productivity and goals relating to acquisitions or divestitures of subsidiaries, affiliates and joint ventures.

If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Corporation, or the manner in which it conducts its business, or other events or circumstances render the Management Objectives unsuitable, the Committee may in its discretion modify such Management Objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable, except in the case of a Covered Employee where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. In such case, the Committee will not make any modification of the Management Objectives or minimum acceptable level of achievement with respect to such Covered Employee.

“Market Value per Share” means, as of any particular date, the fair market value of the Common Shares as determined by the Committee.

“Nonqualified Option” means an Option Right that is not intended to, qualify as a Tax-qualified Option.

“Optionee” means the person so designated in an Evidence of Award evidencing an outstanding Option Right.

“Option Price” means the purchase price payable upon the exercise of an Option Right.

“Option Right” means the right to purchase Common Shares from the Corporation upon the exercise of a Nonqualified Option or a Tax-qualified Option granted pursuant to Section 7 of this Plan. 2

“Participant” means a person who is selected by the Committee to receive benefits under this Plan and (i) is at that time an officer,

including without limitation an officer who may also be a member of the Board, or other salaried employee or consultant of the Corporation or

a Subsidiary or (ii) has agreed to commence serving in any of such capacities, within 90 days of the Date of Grant. The term “Participant” shall also include any person who provides services to the Corporation or a Subsidiary that are equivalent to those typically provided by an employee.

“Performance Period” means, in respect of a Performance Share or Performance Unit, a period of time established pursuant to Section 5 of this Plan within, which, the Management Objective relating thereto is to be achieved.

“Performance Restricted Shares” means Common Shares granted pursuant to Section 4 of this Plan as to which neither substantial risk of forfeiture nor the restrictions on transfer referred to in such Section 4 has expired.

“Performance Share” means a bookkeeping entry that records the equivalent of one Common Share and is awarded pursuant to Section 5 of this Plan.

“Performance Unit” means a bookkeeping entry that records a unit equivalent to the Market Value per Share of one Common Share on the Date of Grant and is awarded pursuant to Section 5 of this Plan.

“Plan” means the Brush Engineered Materials Inc. 2006 Stock Incentive Plan, as may be amended from time to time.

“Restricted Shares” means Common Shares granted or sold pursuant to Section 6 of this Plan as to which neither the substantial risk of forfeiture nor the restrictions on transfer referred to in such Section 6 has expired. Restricted Shares are not subject to Management Objectives specified by the Committee.

“Restriction Period” means the period of time during which Restricted Stock Units are subject to restrictions under Section 9 of this Plan.

“Restricted Stock Units” means an award pursuant to Section 9 of this Plan of the right to receive Common Shares at the end of a specified Restriction Period.

“Spread” means, in the case of a Free-standing Appreciation Right, the amount by which the Market Value per Share on the date when any such right is exercised exceeds the Base Price specified in such right or, in the case of a Tandem Appreciation Right, the amount by which the Market Value per Share on the date when any such right is exercised exceeds the Option Price specified in the related Option Right.

“Subsidiary” means a corporation, company or other entity (i) at least 50 percent of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but at least 50 percent of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Corporation except that for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options,

“Subsidiary” means any corporation in which at the time the Corporation owns or controls, directly or indirectly, at least 50 percent of the total combined voting power represented by all classes of stock issued by such corporation.

“Tandem Appreciation Right” means an Appreciation Right granted pursuant to Section 8 of this Plan that is granted in tandem with an Option Right.

“Tax-qualified Option” means an Option Right that is intended to qualify under particular provisions of the Code, including without limitation an Incentive Stock Option. 3

3. Shares Subject to this Plan.

(a) Maximum Shares Available Under Plan.

(i) Subject to adjustment as provided in Section 11 of this Plan, the number of Common Shares that may be issued or transferred

(A) upon the exercise of Option Rights or Appreciation Rights, (B) as Restricted Shares or Performance Restricted Shares and released from substantial risks of forfeiture thereof, (C) in payment of Restricted Stock Units, (D) in payment of Performance Shares or

Performance Units that have been earned, or (E) in payment of dividend equivalents paid with respect to awards made under this Plan will not exceed in the aggregate 1,250,000 Common Shares, plus any Common Shares relating to awards that expire or are forfeited or

are cancelled under this Plan. Such shares may be shares of original issuance or treasury shares or a combination of the foregoing.

(ii) Common Shares covered by an award granted under this Plan shall not be counted as used unless and until they are actually

issued and delivered to a Participant. Without limiting the generality of the foregoing, upon payment in cash of the benefit provided by any award granted under this Plan, any Common Shares that were covered by that award will be available for issue or transfer hereunder. Notwithstanding anything to the contrary contained herein: (A) Common Shares tendered in payment of the Option Price of a Option Right shall not be added to the aggregate plan limit described above; (B) Common Shares withheld by the Corporation to

satisfy the tax withholding obligation shall not be added to the aggregate plan limit described above; (C) Common Shares that are repurchased by the Corporation with Option Right proceeds shall not be added to the aggregate plan limit described above; and (D) all Common Shares covered by an Appreciation Right, to the extent that it is exercised and settled in Common Shares, whether or not all Common Shares covered by the award are actually issued to the Participant upon exercise of the right, shall be considered issued or transferred pursuant to this Plan.

(b) Life - of - Plan Limits. Notwithstanding anything in this Section 3, or elsewhere in this Plan, to the contrary and subject to adjustment pursuant to Section 10 of this Plan:

(i) The aggregate number of Common Shares actually issued or transferred by the Corporation upon the exercise of Incentive Stock Options shall not exceed 1,250,000.

(ii) The aggregate number of Common Shares issued as or in payment of, as the case may be, Performance Restricted Shares, Performance Shares, Performance Units, Restricted Shares (and released from substantial risk of forfeiture) or Restricted Stock Units shall not in the aggregate exceed 850,000.

(c) Individual Participant Limits. Notwithstanding anything in this Section 3, or elsewhere in this Plan, to the contrary and subject to

adjustment pursuant to Section 10 of this Plan:

(i) No Participant shall be granted, Restricted Stock Units that specify Management Objectives, Performance Restricted Shares, Performance Shares, in the aggregate, for more than 50,000 Common Shares during any calendar year.

(ii) Notwithstanding any other provision of this Plan to the contrary, in no event shall any Participant in any calendar year receive an award of Performance Units having an aggregate maximum value as of their respective Dates of Grant in excess of \$1,000,000.

(iii) No Participant shall be granted Option Rights or Appreciation Rights, in the aggregate, for more than 100,000 Common Shares during any calendar year.

(d) Exclusion from Certain Restrictions. Notwithstanding anything in this Plan to the contrary, up to 5% of the maximum number of Common Shares provided for in Section 3(a)(i) above may be used for awards granted under Sections 4 through 10 of this Plan that do not comply with the three-year requirements set forth in Sections 6(c) and 9(c) of this Plan and the one-year requirements of Sections 4(b), 5

(b) and 9(b) of this Plan. 4

4. Performance Restricted Shares. The Committee may from time to time and upon such terms and conditions as it may determine, authorize grants to Participants of Performance Restricted Shares. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements contained in the following provisions:

(a) Each grant shall constitute an immediate transfer of the ownership of Common Shares to the Participant in consideration of the performance of services, entitling such Participant to dividend, voting and other ownership rights, subject to the substantial risk of forfeiture and restrictions on transfer hereinafter referred to.

(b) Any grant of Performance Restricted Shares shall specify Management Objectives which, if achieved, will result in termination or early termination of the restrictions applicable to such Shares and each grant shall specify in respect of the specified Management Objectives, a minimum acceptable level of achievement and shall set forth a formula for determining the number of Performance

Restricted Shares on which restrictions will terminate if performance is at or above the minimum level, but falls short of full achievement of the specified Management Objectives; *provided, however*, that no such termination shall occur less than one year after the Date of

Grant, except in the event of retirement, death or disability of the Participant or a Change in Control of the Corporation or similar transaction or event.

(c) Each grant may be made without payment of additional consideration from the Participant.

(d) Each grant shall provide that the Performance Restricted Shares covered thereby shall be subject to a “substantial risk of forfeiture”

within the meaning of Section 83 of the Code for a period to be determined by the Committee on the Date of Grant, and any grant may provide for the earlier termination of such period in the event of retirement, death or disability of the Participant or a Change in Control of the Corporation or other similar transaction or event.

(e) Each grant shall provide that, during the period for which such substantial risk of forfeiture is to continue, the transferability of the Performance Restricted Shares shall be prohibited or restricted in the manner and to the extent prescribed by the Committee on the Date of Grant. Such restrictions may include without limitation rights of repurchase or first refusal in the Corporation or provisions subjecting the Performance Restricted Shares to a continuing substantial risk of forfeiture in the hands of any transferee.

(f) Any grant may require that any or all dividends or other, distributions paid on the Performance Restricted Shares during the period of such restrictions be automatically sequestered. Such distribution may be reinvested on an immediate or deferred basis in additional Common Shares, which may be subject to the same restrictions as the underlying award or such other restrictions as the Committee may determine.

(g) Each grant of Performance Restricted Shares shall be evidenced by an Evidence of Award, which shall contain such terms and provisions as the Committee may determine consistent with this Plan. Unless otherwise directed by the Committee, all certificates representing Performance Restricted Shares, together with a stock power that shall be endorsed in blank by the Participant with respect to

the Performance Restricted Shares, shall be held in custody by the Corporation until all restrictions thereon lapse.

5. Performance Shares and Performance Units. The Committee may also authorize grants of Performance Shares and Performance

Units that shall become payable to the Participant upon the achievement of specified Management Objectives during the Performance Period. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements contained in the following provisions:

(a) Each grant shall specify the number of Performance Shares or Performance Units to which it pertains, which may be subject to adjustment to reflect changes in compensation or other factors, *provided, however*, that no such adjustment will be made in the case of a Covered Employee where such 5

action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

(b) The Performance Period with respect to each Performance Share or Performance Unit will be such period of time (not less than one year), commencing with the Date of Grant as shall be determined by the Committee on the Date of Grant and may be subject to earlier termination or other modification in the event of retirement, death or disability of the Participant or a Change in Control of the Corporation

or similar transaction or event.

(c) Each grant shall specify the Management Objectives that are to be achieved by the Participant and each grant shall specify in

respect of the specified Management Objectives a minimum acceptable level of achievement below which no payment will be made and shall set forth a formula for determining the amount of any payment to be made if performance is at or above the minimum acceptable level, but falls short of full achievement of the specified Management Objective. The grant of Performance Shares or Performance Units shall specify that, before the Performance Shares or Performance Units will be earned and paid, the Committee must certify that the Management Objectives have been satisfied.

(d) Each grant shall specify the time and manner of payment of Performance Shares or Performance Units that shall have been earned,

and any grant may specify that any such amount may be paid by the Corporation in cash, Common Shares or any combination thereof and may either grant to the Participant or reserve to the Committee the right to elect among those alternatives.

(e) Any grant of Performance Shares may specify that the amount payable with respect thereto may not exceed a maximum specified

by the Committee at the Date of Grant. Any grant of Performance Units may specify that the amount payable or the number of Common Shares issued with respect thereto may not exceed maximums specified by the Committee at the Date of Grant.

(f) The Committee may at the Date of Grant of Performance Shares, provide for the payment of dividend equivalents to the holder thereof on either a current, deferred or contingent basis, either in cash or in additional Common Shares.

(g) Each grant of Performance Shares or Performance Units shall be evidenced by an Evidence of Award, which shall contain such terms and provisions as the Committee may determine consistent with this Plan.

6. Restricted Shares. The Committee may also authorize the grant or sale to Participants of Restricted Shares. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements contained in the following provisions:

(a) Each grant shall, constitute an immediate transfer of the ownership of Common Shares to the Participant in consideration of the performance of services entitling such Participant to dividend, voting and other ownership rights, subject to the substantial risk of forfeiture

and restrictions on transfer hereinafter referred to.

(b) Each grant or sale may be made without payment of additional consideration or in consideration of a payment by such Participant that is less than the Market Value per Share at the Date of Grant.

(c) Each grant or sale shall provide that the Restricted Shares covered thereby shall be subject to a “substantial risk of forfeiture” within

the meaning of Section 83 of the Code for a period of at least three years to be determined by the Committee on the Date of Grant, and any grant may provide for the earlier termination of such period in the event of retirement, death or disability of the Participant or a Change in Control of the Corporation or similar transaction or event.

(d) Each grant or sale shall provide that, during the period for which such substantial risk of forfeiture is to continue, the transferability

of the Restricted Shares shall be prohibited or restricted in the manner and to the extent prescribed by the Committee on the Date of Grant.

Such restrictions may include, without limitation, rights of repurchase or first refusal in the Corporation or provisions 6

subjecting the Restricted Shares to a continuing substantial risk of forfeiture in the hands of any transferee.

(e) Any grant or sale may require that any or all dividends or other distributions paid on the Restricted Shares during the period of such restrictions be automatically sequestered. Such distribution may be reinvested on an immediate or deferred basis in additional, Common Shares, which may be subject to the same restrictions as the underlying award or such other restrictions as the Committee may determine.

(f) Each grant of Restricted Shares shall be evidenced by an Evidence of Award, which shall contain such terms and provisions as the Committee may determine consistent with this Plan. Unless otherwise directed by the Committee, all certificates representing Restricted Shares, together with a stock power that shall be endorsed in blank by the Participant with respect to the Restricted Shares, shall be held in custody by the Corporation until all restrictions thereon lapse.

7. Option Rights. The Committee may from time to time authorize grants to Participants of options to purchase Common Shares. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements contained in the following provisions:

(a) Each grant of Option Rights shall specify the number of Common Shares to which it pertains.

(b) Each grant shall specify an Option Price per Common Share, which shall be equal to or greater than the Market Value per Share on the Date of Grant.

(c) Each grant shall specify the form of consideration to be paid in satisfaction of the Option Price and the manner of payment of such consideration, which may include (i) cash in the form of currency or check or other cash equivalent acceptable to the Corporation,

(ii) nonforfeitable, unrestricted Common Shares, which are already owned by the Optionee and having a value at the time of exercise that is equal to the Option Price, (iii) any other legal consideration that the Committee may deem appropriate, including without limitation any

form of consideration authorized under Section 7(d) below, on such basis as the Committee may determine in accordance with this Plan and (iv) any combination of the foregoing.

(d) Any grant of a Nonqualified Option may provide that payment of the Option Price may also be made in whole or in part in the form of Restricted Shares or other Common Shares that are subject to risk of forfeiture or restrictions on transfer. Unless otherwise determined

by the Committee on or after the Date of Grant, whenever any Option Price is paid in whole or in part by means of any of the forms of consideration specified in this Section 7(d), the Common Shares received by the Optionee upon the exercise of the Nonqualified Option

shall be subject to the same, risks of forfeiture or restrictions on transfer as those that applied, to the consideration surrendered by the Optionee; provided, however, that such risks of forfeiture and restrictions on transfer shall, apply only to the same number of Common Shares received by the Optionee as applied to the forfeitable or restricted Common Shares surrendered by the Optionee.

(e) To the extent permitted by law, any grant may provide for deferred payment of the Option Price from the proceeds of sale through a broker of some or, all of the Common Shares to which the exercise relates.

(f) Successive grants may be made to the same Optionee regardless of whether any Option Rights previously granted to the Optionee remain unexercised.

(g) Each grant shall specify the period or periods of continuous employment of the Optionee by the Corporation or any Subsidiary that are necessary before the Option Rights or installments thereof shall become exercisable, and any grant may provide for the earlier exercise of the Option Rights in the event of retirement, death or disability of the Participant or a Change in Control of the Corporation or similar transaction or event. 7

(h) Any grant of Option Rights may specify Management Objectives which, if achieved, will result in exercisability of such rights.

(i) Option Rights granted under this Plan may be (i) options that are intended to qualify under particular provisions of the Code, including without limitation Incentive Stock Options, (ii) options that are not intended to so qualify or (iii) combinations of the foregoing. Incentive Stock Options may be granted only to Participants who, on the date of the grant, are officers or other key employees of the Corporation or any Subsidiary who must meet the definition of “employees” under Section 3401(c) of the Code.

(j) The Committee may at the Date of Grant of any Option Rights (other than Incentive Stock Options), provide for the payment of dividend equivalents to the Optionee on either a current or deferred or contingent basis, either in cash or in additional Common Shares.

(k) The exercise of an Option Right will result in the cancellation on a share-for-share basis of any Tandem Appreciation Right authorized under Section 8 of this Plan.

(l) No Option Right granted pursuant to this Section 7 may be exercised more than 10 years from the Date of Grant. Subject to this limit, the Committee may cause Option Rights to continue to be exercisable after termination of employment of the Participant under circumstances specified by the Committee.

(m) The Committee reserves the discretion after the Date of Grant to provide for (i) the payment of a cash bonus at the time of exercise; (ii) the availability of a loan at exercise; or (iii) the right to tender in satisfaction of the Option Price nonforfeitable, unrestricted Common Shares, which are already owned by the Optionee and have a value at the time of exercise that is equal to the exercise price.

(n) The Committee may substitute, without receiving Participant permission, Appreciation Rights payable only in Common Shares (or Appreciation Rights payable in cash, Common Shares, or in any combination thereof as elected by the Committee) for outstanding Options; *provided, however*, that the terms of the substituted Appreciation Rights are substantially the same as the terms for the Options and the difference between the Market Value per Share of the underlying Common Shares and the Base Price of the Appreciation Rights is equivalent to the difference between the Market Value Share of the underlying Common Shares and the Option Price of the Options. If, in the opinion of the Corporation's auditors, this provision creates adverse accounting consequences for the Corporation, it shall be considered null and void.

(o) Each grant of Option Rights shall be evidenced by an Evidence of Award, which shall contain such terms and provisions as the Committee may determine consistent with this Plan.

8. Appreciation Rights. The Committee may also authorize grants to Participants of Appreciation Rights. An Appreciation Right shall be a right of the Participant to receive from the Corporation an amount, which shall be determined by the Committee and shall be expressed as a percentage (not exceeding 100 percent) of the Spread at the time of the exercise of such right. An Appreciation Right awarded in relation to an Incentive Stock Option must be granted concurrently with such Incentive Stock Option. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements contained in the following provisions:

(a) Any grant may specify that the amount payable upon the exercise of an Appreciation Right may be paid by the Corporation in cash, Common Shares or any combination thereof and may either grant to the Participant or reserve to the Committee the right to elect among those alternatives.

(b) Any grant may specify that the amount payable upon the exercise of an Appreciation Right shall not exceed a maximum specified by the Committee on the Date of Grant.

(c) Any grant may specify (i) a waiting period or periods before Appreciation Rights shall become exercisable and (ii) permissible dates or periods on or during which Appreciation Rights shall be exercisable. 8

(d) Any grant may specify that an Appreciation Right may be exercised only in the event of retirement, death or disability of the Participant or a Change in Control of the Corporation or similar transaction or event.

(e) Any grant of Appreciation Rights may specify Management Objectives that must be achieved as a condition of the exercise of such rights.

(f) Any grant may provide for the payment to the Participant of dividend equivalents thereon in cash or Common Shares on a current, deferred or contingent basis.

(g) Each grant shall be evidenced by an Evidence of Award, which shall describe the subject Appreciation Rights, identify any related Option Rights, state that the Appreciation Rights are subject to all of the terms and conditions of this Plan and contain such other terms and provisions as the Committee may determine consistent with this Plan.

(h) Regarding Tandem Appreciation Rights only: Each grant shall provide that a Tandem Appreciation Right may be exercised only (i) at a time when the related Option Right (or any similar right granted under any other plan of the Corporation) is also exercisable and the Spread is positive and (ii) by surrender of the related Option Right (or such other right) for cancellation.

(i) Regarding Free-standing Appreciation Rights only:

(i) Each grant shall specify in respect of each Free-standing Appreciation Right a Base Price per Common Share, which shall be equal to or greater than the Market Value per Share on the Date of Grant;

(ii) Successive grants may be made to the same Participant regardless of whether any Free-standing Appreciation Rights previously granted to such Participant remain unexercised;

(iii) Each grant shall specify the period or periods of continuous employment of the Participant by the Corporation or any

Subsidiary that are necessary before the Free-standing Appreciation Rights or installments thereof shall become exercisable, and any grant may provide for the earlier exercise of such rights in the event of retirement, death or disability of the Participant or a Change in Control of the Corporation or similar transaction or event; and

(iv) No Free-standing Appreciation Right granted under this Plan may be exercised more than 10 years from the Date of Grant.

9. Restricted Stock Units. The Committee may also authorize grants or sales of Restricted Stock Units to Participants. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements contained in the following provisions:

(a) Each grant or sale shall constitute the agreement by the Corporation to deliver Common Shares or cash to the Participant in the future in consideration of the performance of services, subject to the fulfillment during the Restriction Period of such conditions (which may include the achievement of Management Objectives) as the Committee may specify.

(b) If a grant of Restricted Stock Units specifies that the Restriction Period will terminate upon the achievement of Management Objectives, such Restriction Period may not terminate sooner than one year from the Date of Grant. Each grant may specify in respect of such Management Objectives a minimum acceptable level of achievement and may set forth a formula for determining the number of

Restricted Stock Units which restriction will terminate if performance is at or above the minimum level, but falls short of full achievement of the specified Management Objectives.

(c) Each grant or sale may be made without additional consideration from the Participant or in consideration of a payment by the Participant that is less than the Market Value per Share on the Date of Grant.

(d) If the Restriction Period lapses only by the passage of time, each grant or sale shall provide that the Restricted Stock Units covered thereby shall be subject to a Restriction Period of at least three 9

years, which shall be fixed by the Committee on the Date of Grant, and any grant or sale may provide for the earlier termination of such period in the event of retirement, death or disability of the Participant or a Change in Control of the Corporation or similar transaction or event.

(e) During the Restriction Period, the Participant shall not have any right to transfer any rights under the subject award, shall not have any rights of ownership in the Restricted Stock Units and shall not have any right to vote such shares, but the Committee may on or after the Date of Grant authorize the payment of dividend equivalents on such Restricted Stock Units in cash or in additional Common Shares on a current, deferred or contingent basis.

(f) Each grant or sale will specify the time and manner of payment of Restricted Stock Units that have been earned. Any grant or sale may specify that the amount payable with respect thereto may be paid by the Corporation in cash, in Common Shares or in any

combination thereof and may either grant to the Participant or retain in the Committee the right to elect among those alternatives.

(g) Each grant or sale shall be evidenced by an Evidence of Award, which shall contain such terms and provisions as the Committee may determine consistent with this Plan.

10. Administration of the Plan.

(a) This Plan shall be administered by the Organization and Compensation Committee of the Board. A majority of the Committee shall constitute a quorum, and the acts of the members of the Committee who are present at any meeting thereof at which a quorum is present, or acts unanimously approved by the members of the Committee in writing, shall be the acts of the Committee.

(b) The interpretation and construction by the Committee of any provision of this Plan or any agreement, notification or document evidencing the grant of Option Rights, Restricted Shares, Performance Restricted Shares, Performance Shares or Performance Units, Appreciation Rights or Restricted Stock Units and any determination by the Committee pursuant to any provision of this Plan or any such agreement, notification or document, shall be final and conclusive. No member of the Committee shall be liable for any such action taken

or determination made in good faith.

(c) The Committee may delegate to the appropriate officer or officers of the Corporation or any Subsidiary, part or all of its authority with respect to the administration of awards made by the Committee to individuals who are not officers or directors of the Corporation within the meaning of the Securities Exchange Act of 1934.

(d) To the extent permitted by Ohio law, the Committee may, from time to time, delegate to one or more officers of the Corporation the authority of the Committee to grant and determine the terms and conditions of awards granted under this Plan. In no event shall any such delegation of authority be permitted with respect to awards to any executive officer or any person subject to Section 162(m) of the Code.

11. Adjustments. The Committee may make or provide for such adjustments in the (a) number of Common Shares covered by outstanding

Option Rights, Appreciation Rights, Restricted Stock Units and Performance Shares and Performance Units granted hereunder, (b) prices per share applicable to such Option Rights and Appreciation Rights, and (c) kind of shares (including shares of another issuer) covered thereby, as

the Committee in its sole discretion may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of Participants that otherwise would result from (x) any stock dividend, stock split, combination of shares, recapitalization or other

change in the capital structure of the Corporation, (y) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities or (z) any other corporate transaction or event having an effect similar to any of the foregoing. In the event of any such transaction or event, the Committee may provide in substitution

for any or all outstanding awards under this Plan such alternative consideration as it may in good faith determine to be equitable under the circumstances and may require in connection therewith the surrender of all awards so replaced. Moreover, the Committee may on or after the Date of Grant provide in the agreement evidencing any award under this Plan

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that the holder of the award may elect to receive an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect, or the Committee may provide that the holder will automatically be entitled

to receive such an equivalent award. The committee may also make or provide for such adjustments in the numbers and kind of shares specified

in Section 3 of this 2006 Plan as the Committee in its sole discretion, exercised in good faith, may determine is appropriate to reflect any transaction or event described in this Section 11; provided, however, that any such adjustment to the number specified in Section 3(b)(i) will be made only if and to the extent that such adjustment would not cause any option intended to qualify as an Incentive Stock Option to fail so to

qualify. This Section 11 shall not be construed to permit the re-pricing of any Option Rights in the absence of any of the circumstances described above in contravention of Section 19(b) hereof.

12. Detrimental Activity. Any Evidence of Award may provide that if a Participant, either during employment by the Corporation or a Subsidiary or within a specified period after termination of such employment, shall engage in any Detrimental Activity (as defined by the Committee in the Evidence of Award), and the Board shall so find, forthwith upon notice of such finding, the Participant shall:

(a) Forfeit any award granted under this Plan then held by the Participant;

(b) Return to the Corporation, in exchange for payment by the Corporation of any amount actually paid therefor by the Participant, all

Common Shares that the Participant has not disposed of that were offered pursuant to this Plan within a specified period prior to the date of

the commencement of such Detrimental Activity; and

(c) With respect to any Common Shares so acquired that the Participant has disposed of, pay to the Corporation in cash the difference between:

(i) Any amount actually paid therefor by the Participant pursuant to this Plan, and

(ii) The Market Value per Share of the Common Shares on the date of such acquisition.

To the extent that such amounts are not paid to the Corporation, the Corporation may set off the amounts so payable to it against any amounts that may be owing from time to time by the Corporation or a Subsidiary to the Participant, whether as wages, deferred compensation or vacation pay or in the form of any other benefit or for any other reason.

13. Participation by Employees of Designated Subsidiaries. As a condition to the effectiveness of any grant or award to be made

hereunder to a Participant who is an employee of a Designated Subsidiary, whether or not such Participant is also employed by the Corporation or another Subsidiary, the Board may require such Designated Subsidiary to agree to transfer to such employee (when, as and if provided for under this Plan, and any applicable Agreement entered into with any such employee pursuant to this Plan) the Common Shares that would otherwise be delivered by the Corporation, upon receipt by such Designated Subsidiary of any consideration then otherwise payable by such Participant to the Corporation. Any such award shall be evidenced by an agreement between the Participant and the Designated Subsidiary, in lieu of the Corporation, on terms consistent with this Plan and approved by the Board and such Designated Subsidiary. All such Common

Shares so delivered by or to a Designated Subsidiary shall be treated as if they had been delivered by or to the Corporation for purposes of Section 3 of this Plan, and all references to the Corporation in this Plan shall be deemed to refer to such Designated Subsidiary, except for purposes of the definition of "Board" and except in other cases where the context otherwise requires.

14. Non-U.S. Employees. In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may

provide for such special terms for awards to Participants who are foreign nationals or who are employed by the Corporation or any Subsidiary or Designated Subsidiary outside of the United States of America or who provide services to the Corporation under an agreement with a foreign nation or agency, as the Committee may consider necessary or appropriate to accommodate differences in local law; tax policy or custom. Moreover, the Committee may approve such supplements to or amendments, restatements or alternative versions of this Plan

(including, without limitation, sub-plans) as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for

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any other purpose, and the Secretary or other appropriate officer of the Corporation may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments or restatements, however, shall include any

provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Corporation.

15. Transferability. (a) Except as provided in Section 15(c) below, no Option Right or Appreciation Right or other derivative security granted under this Plan may be transferred by a Participant except by will or the laws of descent and distribution. Except as otherwise determined by the Committee, Option Rights and Appreciation Rights granted under this Plan may not be exercised during a Participant's lifetime except by the Participant or, in the event of the Participant's legal incapacity, by his guardian or legal representative acting in a fiduciary capacity on behalf of the Participant under state law and court supervision.

(b) The Committee may specify at the Date of Grant, that all or any part of the Common Shares that are (i) to be issued or transferred by the Corporation upon the exercise of Option Rights or Appreciation Rights, or in payment of Performance Shares or Performance Unit or upon the termination of the Restriction Period applicable to Restricted Stock Units, or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in Sections 46 and 6 of this Plan, shall be subject to further restrictions upon transfer.

(c) The Committee may determine that Option Rights (other than Incentive Stock Options) and Appreciation Rights may be transferable by

a Participant, without payment of consideration therefor by the transferee, only to any one or more members of the Participant's immediate family; provided, however, that (i) no such transfer shall be effective unless reasonable prior notice thereof is delivered to the Corporation and

such transfer is thereafter effected in accordance with any terms and conditions that shall have been made applicable thereto by the Corporation or the Committee and (ii) any such transferee shall be subject to the same terms and conditions hereunder as the Participant. For the purposes of

this Section 15(c), the term “immediate family” means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant’s household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests.

16. Withholding Taxes. To the extent that the Corporation is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under this Plan, and the amounts available the Corporation for the withholding are insufficient, it shall be a condition to the receipt of any such payment or the realization of any such benefit that the Participant or such other person make arrangements satisfactory to the Corporation for payment of the balance of any taxes required to be withheld. At the discretion of the Committee, any such arrangements may without limitation include relinquishment of a portion of any such payment or benefit. Participants shall also make such arrangements as the Corporation may require for the payment of any withholding tax obligation that may arise in connection with the disposition of Common Shares acquired upon the exercise of Option Rights. In no event shall the Market Value per Share of the Common Shares to be withheld and/or delivered pursuant to this Section to satisfy applicable withholding taxes in connection with the benefit exceed the minimum amount of taxes required to be withheld.

17. Compliance with Section 409A of the Code.

(a) To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A of the Code. This Plan and any grants made hereunder shall be administrated in a manner consistent with this intent, and any provision that would cause this Plan or any grant made hereunder to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Corporation without the consent of Participants). Any reference in this Plan to Section 409A of the Code will also include any proposed,

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temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

(b) In order to determine for purposes of Section 409A of the Code whether a Participant is employed by a member of the Corporation’s controlled group of corporations under Section 414(b) of the Code (or by a member of a group of trades or businesses under common control with the Corporation under Section 414(c) of the Code) and, therefore, whether the shares of Common Stock that are or have been purchased by or awarded under this 2006 Plan to the Participant are shares of “service recipient” stock within the meaning of Section 409A of the Code:

(i) In applying Code Section 1563(a)(1), (2) and (3) for purposes of determining the Corporation’s controlled group under Section 414(b) of the Code, the language “at least 50 percent” is to be used instead of “at least 80 percent” each place it appears in Code Section 1563(a)(1), (2) and (3), and

(ii) In applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses under common control with the Corporation for purposes of Section 414(c) of the Code, the language “at least 50 percent” is to be used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2.

18. **Effective Date.** This Plan will be effective as of May 2, 2006, the date the Plan is approved by shareholders.

19. **Amendments.**

(a) The Committee may at any time and from time to time amend this Plan in whole or in part; *provided, however*, that if an amendment to this Plan (i) would materially increase the benefits accruing to participants under this Plan, (ii) would materially increase the number of securities which may be issued under this Plan, (iii) would materially modify the requirements for participation in this Plan or (iv) must otherwise be approved by the shareholders of the Corporation in order to comply with applicable law or the rules of the New York Stock Exchange or, if the Common Shares are not traded on the New York Stock Exchange, the principal national securities exchange upon which the Common Shares are traded or quoted, then, such amendment will be subject to shareholder approval and will not be effective unless and until such approval has been obtained.

(b) The Committee shall not, without the further approval of the shareholders of the Corporation, authorize the amendment of any outstanding Option Right to reduce the Option Price. Furthermore, no Option Right will be cancelled and replaced with awards having a lower Option Price without further approval of the shareholders of the Corporation. This Section 19(b) is intended to prohibit the repricing of "underwater" Option Rights and shall not be construed to prohibit the adjustments provided for in Section 11 of this Plan.

(c) If permitted by Section 409A of the Code and except in the case of a Covered Employee where such action would result in the loss of an otherwise available exemption under Section 162(m) of the Code, in case of termination of employment by reason of death, disability or normal or early retirement, or in the case of unforeseeable emergency or other special circumstances, of a Participant who holds an Option Right or Appreciation Right not immediately exercisable in full, or any Performance Restricted Shares, Restricted Shares as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or any Restricted Stock Units as to which the Restriction Period has not been completed, or any Performance Shares or Performance Units which have not been fully earned, or who holds Common Shares subject to any transfer restriction imposed pursuant to Section 15 of this Plan, the Committee may, in its sole

discretion, accelerate the time at which such Option Right or Appreciation Right may be exercised or the time at which such substantial risk of forfeiture or prohibition or restriction on transfer will lapse or the time when such Restriction Period will end or the time at which

such Performance Shares or Performance Units will be deemed to have been fully earned or the time when such transfer restriction will terminate or may waive any other limitation or requirement under any such award.

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(d) Subject to Section 19(b) hereof, the Committee may amend the terms of any award theretofore granted under this Plan prospectively or retroactively and except in the case of a Covered Employee where such action would result in the loss of an otherwise available exemption under Section 162(m) of the Code, but subject to Section 11 above, no such amendment shall impair the rights of any Participant without his or her consent. The Committee may, in its discretion, terminate this Plan at any time. Termination of this Plan will not affect the rights of Participants or their successors under any awards outstanding hereunder and not exercised in full on the date of termination.

20. **Termination of the Plan.** No further awards shall be granted under this Plan after the passage of 10 years from the date on which this Plan was first approved by the shareholders of the Corporation.

21. **Governing Law.** The Plan and all grants and awards and actions taken thereunder shall be governed by and construed in accordance with the internal substantive laws of the State of Ohio.

22. **Miscellaneous Provisions.**

(a) The Corporation shall not be required to issue any fractional Common Shares pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement of fractions in cash.

(b) This Plan shall not confer upon any Participant any right with respect to continuance of employment or other service with the Corporation or any Subsidiary, nor shall it interfere in any way with any right the Corporation or any Subsidiary would otherwise have to

terminate such Participant's employment or other service at any time.

(c) To the extent that any provision of this Plan would prevent any Option Right that was intended to qualify as a Tax-qualified Option from qualifying as such, that provision shall be null and void with respect to such Option Right. Such provision, however, will remain in effect for other Option Rights and there will be no further effect on any provision of this Plan.

(d) No award under this Plan may be exercised by the holder thereof if such exercise, and the receipt of cash or stock thereunder, would be, in the opinion of counsel selected by the Committee, contrary to law or the regulations of any duly constituted authority having jurisdiction over this Plan.

(e) Leave of absence approved by a duly constituted officer of the Corporation or any of its Subsidiaries shall not be considered interruption or termination of service of any employee for any purposes of this Plan or awards granted hereunder, except that no awards may be granted to an employee while he or she is on a leave of absence.

(f) No Participant shall have any rights as a shareholder with respect to any shares subject to awards granted to him or her under this Plan prior to the date as of which he or she is actually recorded as the holder of such shares upon the stock records of the Corporation.

(g) The Committee may condition the grant of any award or combination of awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Corporation or a Subsidiary to the Participant.

(h) If any provision of this Plan is or becomes invalid, illegal or unenforceable in any jurisdiction, or would disqualify this Plan or any award under any law deemed applicable by the Board, such provision shall be construed or deemed amended or limited in scope to

conform to applicable laws or, in the discretion of the Board, it shall be stricken and the remainder of this Plan shall remain in full force and effect.

BRUSH ENGINEERED MATERIALS INC.

Agreement Relating to Performance Restricted Shares and Performance Shares

WHEREAS, ____ (the “Grantee”) is an employee of Brush Engineered Materials Inc., an Ohio corporation (the “Corporation”), or a Subsidiary; and

WHEREAS, the execution of an agreement in the form hereof (this “Agreement”) has been authorized by resolution of the Organization and Compensation Committee (the “Committee”) of the Board of Directors of the Corporation that was duly adopted on March 7, 2006 (the “Date of Grant”);

NOW, THEREFORE, pursuant to the Corporation’s 2006 Stock Incentive Plan (the “Plan”), the Corporation hereby grants to the Grantee ____ Performance Restricted Shares and one-half that number of Performance Shares, effective as of the Date of Grant, but subject to Shareholder Approval (as defined in Section 11 of Article IV of this Agreement) and subject to the terms and conditions of the Plan and the following additional terms, conditions, limitations and restrictions:

ARTICLE I

DEFINITIONS

All terms used herein with initial capital letters that are defined in the Plan shall have the meanings assigned to them in the Plan, and the following additional terms, when used herein with initial capital letters, shall have the following meanings:

1. “Change in Control” has the meaning set forth in Section 4(b) of Article II of this Agreement.
2. “Cumulative Operating Profit” means the sum of earnings (net of any losses) before tax and interest during the Performance Period for the business unit specified to the Grantee in the notice accompanying this Agreement.
3. “Management Objective” means the threshold, target and maximum Cumulative Operating Profit goals established by the Committee for the Performance Period as set forth on Exhibit D to the resolution of the Committee adopted on February 7, 2006. No adjustment of the Management Objective shall be permitted in respect of any Performance Restricted Shares or Performance Shares granted to any Participant who is, or is determined by the Committee to be likely to become, a “covered employee” within the meaning of Section 162(m) of the Code (or any successor provision) if such adjustment would result in the loss of an otherwise available deduction.
4. “Performance Period” means the three-year period commencing January 1, 2006 and ending on December 31, 2008.

ARTICLE II

CERTAIN TERMS OF PERFORMANCE RESTRICTED SHARES

1. Issuance of Performance Restricted Shares. The Performance Restricted Shares covered by this Agreement shall be issued to the Grantee, effective as of the Date of Grant, upon the approval of the Plan by the shareholders of the Corporation in accordance with Section 11 of Article IV of this Agreement. The Common Shares subject to this grant of Performance Restricted Shares, when issued, shall be fully paid and nonassessable and shall be represented by a certificate or certificates registered in the Grantee’s name, endorsed with an appropriate legend referring to the restrictions hereinafter set forth.

2. Restrictions on Transfer of Shares. The Common Shares subject to this grant of Performance Restricted Shares

may not be sold, exchanged, assigned, transferred, pledged, encumbered or otherwise disposed of by the Grantee except to the Corporation until the Performance Restricted Shares have become nonforfeitable as provided in Section 3 hereof, provided, however, that the Grantee's rights with respect to such Common Shares may be transferred by will or pursuant to the laws of descent and distribution. Any purported transfer or encumbrance in violation of the provisions of this Section 2 of this Article II shall be void, and the other party to any such purported transaction shall not obtain any rights to or interest in such Common Shares. The Corporation in its sole discretion, when and as permitted by the Plan, may waive the restrictions on transferability with respect to all or a portion of the Common Shares subject to this grant of Performance Restricted Shares.

3. Vesting of Performance Restricted Shares .

(a) In no event shall any Performance Restricted Shares become nonforfeitable if actual achievement falls below the threshold level of the Management Objective. If the Management Objective shall have been attained at the threshold level and if the Grantee shall have remained in the continuous employ of the Corporation or a Subsidiary throughout the Performance Period, 25% of the number of Performance Restricted Shares specified on the first page of this Agreement shall be earned.

(b) If the Management Objective shall have been attained at the target level and if the Grantee shall have remained in the continuous employ of the Corporation or a Subsidiary throughout the Performance Period, 100% of the number of Performance Restricted Shares specified on the first page of this Agreement shall be earned. If the Management Objective shall have been attained over the threshold level, but less than the target level, and the Grantee has remained so continuously employed, a proportionate number of the Performance Restricted Shares specified on the first page of this Agreement shall be earned, as determined by mathematical interpolation.

(c) Any fraction of a Performance Restricted Share resulting from the foregoing calculations shall be rounded to the nearest 1/100th of a share.

4. Effect of Death, Disability, Change in Control .

(a) Notwithstanding the provisions of Section 3 of this Article II, all of the Performance Restricted Shares covered by this Agreement shall immediately become nonforfeitable (i) if the Grantee dies or becomes permanently disabled while in the employ of the Corporation or a Subsidiary during the Performance Period and [after the receipt of Shareholder Approval], or (ii) if a Change in Control occurs during the Performance Period [and after the receipt of Shareholder Approval].

(b) For purposes of this Agreement, "Change in Control" means

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own (X) 20% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities") without the approval of the Incumbent Board as defined in (ii) below or (Y) 35% or more of the Outstanding Voting Securities of the Company with the approval of the Incumbent Board; *provided, however*, that for purposes of this subsection (i), the following acquisitions shall not be deemed to result in a Change of Control: (A) any acquisition directly from the Company that is approved by the Incumbent Board (as defined in subsection (ii), below), (B) any acquisition by the Company or a subsidiary of the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, (D) any acquisition by any Person pursuant to a transaction described in clauses (A), (B) and (C) of subsection (iii) below, or (E) any acquisition by, or other Business Combination (as defined in (iii) below) with, a person or group of which employees of the Company or any subsidiary of the Company control a greater than 25% interest (a "MBO") but only if the Executive is one of those employees of the Company or any subsidiary of the Company that are participating in the MBO; *provided, further*, that if any Person's beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 20% or 35%, as the case may be, as a result of a transaction described in clause (A) or (B) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be

treated as an acquisition that causes such Person to own 20% or 35% or more, as the case may be, of the Outstanding Company Voting Securities; and *provided, further*, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meanings of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board" (as modified by this clause (ii)) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation, or other transaction ("Business Combination") excluding, however, such a Business Combination pursuant to which (A) the individuals and entities who were the ultimate beneficial owners of voting securities of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 65% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (B) no Person (excluding any employee benefit plan (or related trust) of the Company, the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly (X) 20% or more, if such Business Combination is approved by the Incumbent Board or (Y) 35% or more, if such Business Combination is not approved by the Incumbent Board, of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company except pursuant to a Business Combination described in clauses (A), (B) and (C) of subsection (iii), above.

5. Effect of Retirement. Notwithstanding the provisions of Section 3 of this Article II, if the Grantee retires after the receipt of Shareholder Approval and after June 30, 2007 under a retirement plan of the Corporation or a Subsidiary at or after the normal retirement age provided for in such retirement plan or retires at an earlier age with the consent of the Committee, a portion of the Performance Restricted Shares covered by this Agreement shall become nonforfeitable after the end of the Performance Period if the Committee then determines that the Management Objective have been attained at the threshold level of achievement. The number of Performance Restricted Shares that shall become nonforfeitable shall be determined by multiplying the number of Performance Restricted Shares that would have become nonforfeitable if the Grantee had remained in the continuous employment of the Corporation throughout the Performance Period, multiplied by the fraction of the Performance Period that is equal to the number of months the Grantee remained in the continuous employ of the Corporation and its Subsidiaries between the Date of Grant and the effective date of such retirement, divided by 36. If the grantee retires on or before June 30, 2007, the Performance Shares granted under this Agreement shall be forfeited.

6. Effect of Detrimental Activity. Notwithstanding anything herein to the contrary, if the Grantee, either during employment by the Corporation or a Subsidiary or within one year after termination of such employment, shall engage

in any Detrimental Activity (as defined in Section 7 below) and the Board shall so find:

(a) Return to the Corporation any all Performance Restricted Shares that the Grantee has not disposed of that became nonforfeitable pursuant to this Agreement.

(b) With respect to any Performance Restricted Shares that the Grantee has disposed of that became nonforfeitable pursuant to this Agreement within a period of one year prior to the date of the commencement of such Detrimental Activity, the Grantee shall pay to the Corporation in the cash value of such Performance Restricted Shares on the date such Performance Restricted Shares became nonforfeitable. To the extent that such amounts are not paid to the Corporation, the Corporation may, to the extent permitted by law, set off the amounts so payable to it against any amounts that may be owing from time to time by the Corporation or a Subsidiary to the Grantee, whether as wages, deferred compensation or vacation pay or in the form of any other benefit or for any other reason.

7. Definition of Detrimental Activity . For purposes of this Agreement, the term “Detrimental Activity” shall include:

(a) (i) Engaging in any activity in violation of the Section entitled “Competitive Activity; Confidentiality; Nonsolicitation” in the Severance Agreement between the Corporation and the Grantee, if such agreement is in effect at the date hereof, or in violation of any corresponding provision in any other agreement between the Corporation and the Grantee in effect on the date hereof providing for the payment of severance compensation; or

(ii) If no such severance agreement is in effect as of the date hereof or if a severance agreement does not contain a Section corresponding to “Competitive Activity; Confidentiality; Nonsolicitation”:

A. Competitive Activity During Employment . Competing with the Corporation anywhere within the United States during the term of the Grantee’s employment, including, without limitation:

- (1) entering into or engaging in any business which competes with the business of the Corporation;
- (2) soliciting customers, business, patronage or orders for, or selling, any products or services in competition with, or for any business that competes with, the business of the Corporation;
- (3) diverting, enticing or otherwise taking away any customers, business, patronage or orders of the Corporation or attempting to do so; or
- (4) promoting or assisting, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the business of the Corporation.

B. Following Termination . For a period of one year following the Grantee’s termination date:

- (1) entering into or engaging in any business which competes with the Corporation’s business within the Restricted Territory (as hereinafter defined);
- (2) soliciting customers, business, patronage or orders for, or selling, any products or services in competition with, or for any business, wherever located, that competes with, the Corporation’s business within the Restricted Territory;
- (3) diverting, enticing or otherwise taking away any customers, business, patronage or orders of the Corporation within the Restricted Territory, or attempting to do so; or
- (4) promoting or assisting, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the Corporation’s business within the Restricted Territory.

For the purposes of Sections 7(a)(ii)(A) and (B) above, inclusive, but without limitation thereof, the Grantee will be in violation thereof if the Grantee engages in any or all of the activities set forth therein directly as an individual on the Grantee's own account, or indirectly as a partner, joint venturer, employee, agent, salesperson, consultant, officer and/or director of any firm, association, partnership, corporation or other entity, or as a stockholder of any corporation in which the Grantee or the Grantee's spouse, child or parent owns, directly or indirectly, individually or in the aggregate, more than five percent (5%) of the outstanding stock.

C. "The Corporation." For the purposes of this Section 7(a)(ii) of this Article II, the "Corporation" shall include any and all direct and indirect subsidiaries, parents, and affiliated, or related companies of the Corporation for which the Grantee worked or had responsibility at the time of termination of the Grantee's employment and at any time during the two year period prior to such termination.

D. "The Corporation's Business." For the purposes of this Section 7 of this Article II inclusive, the Corporation's business is defined to be the manufacture, marketing and sale of high performance engineered materials serving global telecommunications and computer, magnetic and optical data storage, aerospace and defense, automotive electronics, industrial components and appliance markets as further described in any and all manufacturing, marketing and sales manuals and materials of the Corporation as the same may be altered, amended, supplemented or otherwise changed from time to time, or of any other products or services substantially similar to or readily substitutable for any such described products and services.

E. "Restricted Territory." For the purposes of Section 7(a)(ii)(B) of this Article II, the Restricted Territory shall be defined as and limited to:

(1) the geographic area(s) within a one hundred mile radius of any and all Corporation location(s) in, to, or for which the Grantee worked, to which the Grantee was assigned or had any responsibility (either direct or supervisory) at the time of termination of the Grantee's employment and at any time during the two-year period prior to such termination; and

(2) all of the specific customer accounts, whether within or outside of the geographic area described in (1) above, with which the Grantee had any contact or for which the Grantee had any responsibility (either direct or supervisory) at the time of termination of the Grantee's employment and at any time during the two-year period prior to such termination.

F. "Extension." If it shall be judicially determined that the Grantee has violated any of the Grantee's obligations under Section 7(a)(ii)(B) of this Agreement, then the period applicable to each obligation that the Grantee shall have been determined to have violated shall automatically be extended by a period of time equal in length to the period during which such violation(s) occurred.

(b) Non-Solicitation. Except as otherwise provided in Section 7(a)(i) of this Article II, Detrimental Activity shall also include directly or indirectly at any time soliciting or inducing or attempting to solicit or induce any employee(s), sales representative(s), agent(s) or consultant(s) of the Corporation and/or of its parents, or its other subsidiaries or affiliated or related companies to terminate their employment, representation or other association with the Corporation and/or its parent or its other subsidiary or affiliated or related companies.

(c) Further Covenants. Except as otherwise provided in Section 7(a)(i) of this Article II, Detrimental Activity shall also include:

(i) directly or indirectly, at any time during or after the Grantee's employment with the Corporation, disclosing, furnishing, disseminating, making available or, except in the course of performing the Grantee's duties of employment, using any trade secrets or confidential business and technical information of the Corporation or its customers or vendors, including without limitation as to when or how the Grantee may have acquired such information. Such confidential information shall include, without limitation, the Corporation's unique selling, manufacturing and servicing methods and business techniques, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product

information, customer and prospective customer lists, other customer and prospective customer information and other business information. The Grantee specifically acknowledges that all such confidential information, whether reduced to writing, maintained on any form of electronic media, or maintained in the Grantee's mind or memory and whether compiled by the Corporation, and/or the Grantee, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the Corporation to maintain the secrecy of such information, that such information is the sole property of the Corporation and that any retention and use of such information by the Grantee during the Grantee's employment with the Corporation (except in the course of performing the Grantee's duties and obligations to the Corporation) or after the termination of the Grantee's employment shall constitute a misappropriation of the Corporation's trade secrets.

(ii) Upon termination of the Grantee's employment with the Corporation, for any reason, the Grantee's failure to return to the Corporation, in good condition, all property of the Corporation, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any items of information listed in Section 7(c)(i) of this Article II.

(d) Discoveries and Inventions. Except as otherwise provided in Section 7(a)(i) of this Article II, Detrimental Activity shall also include the failure or refusal of the Grantee to assign to the Corporation, its successors, assigns or nominees, all of the Grantee's rights to any discoveries, inventions and improvements, whether patentable or not, made, conceived or suggested, either solely or jointly with others, by the Grantee while in the Corporation's employ, whether in the course of the Grantee's employment with the use of the Corporation's time, material or facilities or that is in any way within or related to the existing or contemplated scope of the Corporation's business. Any discovery, invention or improvement relating to any subject matter with which the Corporation was concerned during the Grantee's employment and made, conceived or suggested by the Grantee, either solely or jointly with others, within one year following termination of the Grantee's employment under this Agreement or any successor agreements shall be irrebuttably presumed to have been so made, conceived or suggested in the course of such employment with the use of the Corporation's time, materials or facilities. Upon request by the Corporation with respect to any such discoveries, inventions or improvements, the Grantee will execute and deliver to the Corporation, at any time during or after the Grantee's employment, all appropriate documents for use in applying for, obtaining and maintaining such domestic and foreign patents as the Corporation may desire, and all proper assignments therefor, when so requested, at the expense of the Corporation, but without further or additional consideration.

(e) Work Made For Hire. Except as otherwise provided in Section 7(a)(i) of this Article II, Detrimental Activity shall also include violation of the Corporation's rights in any or all work papers, reports, documentation, drawings, photographs, negatives, tapes and masters therefor, prototypes and other materials (hereinafter, "items"), including without limitation, any and all such items generated and maintained on any form of electronic media, generated by Grantee during the Grantee's employment with the Corporation. The Grantee acknowledges that, to the extent permitted by law, all such items shall be considered a "work made for hire" and that ownership of any and all copyrights in any and all such items shall belong to the Corporation. The item will recognize the Corporation as the copyright owner, will contain all proper copyright notices, e.g., "(creation date) [Corporation Name], All Rights Reserved," and will be in condition to be registered or otherwise placed in compliance with registration or other statutory requirements throughout the world.

(f) Termination for Cause. Except as otherwise provided in Section 7(a)(i) of this Agreement, Detrimental Activity shall also include activity that results in termination for Cause. For the purposes of this Section 7, "Cause" shall mean that, the Grantee shall have:

(i) been convicted of a criminal violation involving fraud, embezzlement, theft or violation of federal antitrust statutes or federal securities laws in connection with his duties or in the course of his employment with the Corporation or any affiliate of the Corporation;

(ii) committed intentional wrongful damage to property of the Corporation or any affiliate of the Corporation;
or

(iii) committed intentional wrongful disclosure of secret processes or confidential information of the Corporation or any affiliate of the Corporation;

and

any such act shall have been demonstrably and materially harmful to the Corporation.

(g) Other Injurious Conduct . Detrimental Activity shall also include any other conduct or act determined to be injurious, detrimental or prejudicial to any significant interest of the Corporation or any subsidiary unless the Grantee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation.

(h) Reasonableness . The Grantee acknowledges that the Grantee's obligations under this Section 7 of this Agreement are reasonable in the context of the nature of the Corporation's business and the competitive injuries likely to be sustained by the Corporation if the Grantee were to violate such obligations. The Grantee further acknowledges that this Agreement is made in consideration of, and is adequately supported by the agreement of the Corporation to perform its obligations under this Agreement and by other consideration, which the Grantee acknowledges constitutes good, valuable and sufficient consideration.

8. Forfeiture of Shares . The Performance Restricted Shares shall be forfeited to the extent they fail to become nonforfeitable at the end of the Performance Period and, except as otherwise provided in Sections 4 or 5 of this Article II, if the Grantee ceases to be employed by the Corporation or a Subsidiary at any time prior to such Shares becoming nonforfeitable.

In the event of a forfeiture, any certificate(s) representing the Performance Restricted Shares covered by this Agreement shall be cancelled.

9. Dividend, Voting and Other Rights .

(a) Except as otherwise provided herein, from and after the receipt of Shareholder Approval, the Grantee shall have all of the rights of a shareholder with respect to the Performance Restricted Shares covered by this Agreement, including the right to vote such Performance Restricted Shares and receive any dividends that may be paid thereon; provided, however, that any additional Common Shares or other securities that the Grantee may become entitled to receive pursuant to a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, separation or reorganization or any other change in the capital structure of the Corporation shall be subject to the same restrictions as the Performance Restricted Shares covered by this Agreement.

(b) Cash dividends on the Performance Restricted Shares covered by this Agreement after the receipt of Shareholder Approval shall be sequestered by the Corporation from and after the Date of Grant until such time as any of such Performance Restricted Shares become nonforfeitable in accordance with Section 3 of this Article II, whereupon such dividends shall be paid to the Grantee in cash to the extent such dividends are attributable to Performance Restricted Shares that have become nonforfeitable. To the extent that Performance Restricted Shares covered by this Agreement are forfeited pursuant to Section 8 of this Article II, all the dividends sequestered with respect to such Performance Restricted Shares shall also be forfeited. No interest shall be payable with respect to any such dividends.

10. Retention of Stock Certificate(s) by the Corporation . Any certificate(s) representing the Performance Restricted Shares covered by this Agreement shall be held in custody by the Corporation, together with a stock power endorsed in blank by the Grantee with respect thereto, until those shares have become nonforfeitable in accordance with Sections 3, 4 or 5 of this Article II.

ARTICLE III

CERTAIN TERMS OF PERFORMANCE SHARES

1. Issuance of Performance Shares . The Performance Shares covered by this Agreement shall only result in the issuance of Common Shares after the completion of the Performance Period and only if they are earned as provided in Section 2 of this Article III.

2. Earn-Out of Performance Shares . All of the Performance Shares covered by this Agreement shall be earned if the Grantee shall have remained in the continuous employ of the Corporation or a Subsidiary throughout the Performance Period and if the Management Objective shall have been at least attained at the maximum level of achievement. If the Management Objective shall have been attained at a level between the target and maximum levels of achievement and the Grantee has remained so continuously employed, a portion of the Performance Shares covered by this Agreement shall be earned out, as determined by mathematical interpolation. In no event shall any Performance Shares be earned if actual achievement falls at or below the target level of the Management Objective.

3. Payment of Performance Shares .

(a) Payment shall be made in the form of cash equal to the average of the high and low sales prices of the Common Shares of the Corporation on the New York Stock Exchange on the last day of the Performance Period multiplied by the number of Performance Shares earned pursuant to Section 2 of Article III this Agreement. Final awards shall be paid, less applicable taxes, as soon as practicable after the receipt of audited financial statements relating to the last fiscal year of the Performance Period and the determination by the Committee of the level of attainment of the Management Objective, but in no event later than two and one-half months after the end of the last fiscal year in the Performance Period.

(b) Any payment of awards due pursuant to this Agreement to a deceased Grantee shall be paid to the beneficiary designated by the Grantee on the Designation of Death Beneficiary attached as Exhibit A hereto and filed with the Corporation. If no such beneficiary has been designated or survives the Grantee, payment shall be made to the Grantee's legal representative. A beneficiary designation may be changed or revoked by a Grantee at any time, provided the change or revocation is filed with the Corporation.

(c) Prior to payment, the Corporation shall only have an unfunded and unsecured obligation to make payment of earned awards to the Grantee.

4. Performance Shares Nontransferable . The Performance Shares covered by this Agreement that have not yet been earned out are not transferable other than by will or pursuant to the laws of descent and distribution.

ARTICLE IV

GENERAL PROVISIONS

1. Compliance with Law . The Corporation shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Corporation shall not be obligated to issue any Common Shares pursuant to this Agreement if the issuance thereof would result in a violation of any such law.

2. Dilution and Other Adjustments . The Committee shall make such adjustments in the Management Objective and/or Performance Shares covered by this Agreement as such Committee in its sole discretion, exercised in good faith, may determine is equitably required to prevent dilution or enlargement of the rights of the Grantee that otherwise would result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Corporation, or (b) any merger, consolidation, spin-off, reorganization, partial or complete liquidation or other distribution of assets, or issuance of warrants or other rights to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. In the event of any such transaction or event, the Committee may provide in substitution for this award of Performance Shares such alternative consideration as it may in good faith determine to be equitable under the circumstances and may require in connection therewith the surrender of this award of Performance Shares so replaced

3. Withholding Taxes . If the Corporation or any Subsidiary shall be required to withhold any federal, state, local or foreign tax in connection with any issuance or vesting of Common Shares or other securities pursuant to this Agreement, the Grantee shall pay the tax or make provisions that are satisfactory to the Corporation or such Subsidiary for the payment thereof. The Grantee may elect to satisfy all or any part of any such withholding obligation by surrendering to the Corporation or such Subsidiary a portion of the Common Shares that are issued or transferred or that become nontransferable by the Grantee hereunder, and the Common Shares so surrendered by the Grantee shall be

credited against any such withholding obligation at the Market Value per Share of such Common Shares on the date of such surrender. In no event shall the Market Value per Share of the Common Shares to be withheld and/or delivered pursuant to this Section to satisfy applicable withholding taxes in connection with the benefit exceed the minimum amount of taxes required to be withheld.

4. Continuous Employment . For purposes of this Agreement, the continuous employment of the Grantee with the Corporation or a Subsidiary shall not be deemed to have been interrupted, and the Grantee shall not be deemed to have ceased to be an employee of the Corporation or a Subsidiary, by reason of the transfer of his employment among the Corporation and its Subsidiaries or a leave of absence approved by the Board.

5. Right to Terminate Employment . No provision of this Agreement shall limit in any way whatsoever any right that the Corporation or a Subsidiary may otherwise have to terminate the employment of the Grantee at any time.

6. Amendments . Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however , that no amendment shall adversely affect the rights of the Grantee with under this Agreement without the Grantee's consent.

7. Severability . In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

8. Governing Law . This agreement is made under, and shall be construed in accordance with, the internal substantive laws of the State of Ohio.

9. Compliance with Section 409A of the Code . To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause the Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Corporation without the consent of the Grantee).

10. Requirement of Shareholder Approval . "Shareholder Approval" means the approval of the Plan by the affirmative vote of the holders of a majority of the Common Shares present, or represented, and entitled to vote on the matter at a meeting. All of the Performance Restricted Shares and Performance Shares covered hereby shall be forfeited and this Agreement shall be null and void and of no effect if Shareholder Approval has not been obtained prior to December 31, 2006.

The undersigned Grantee hereby accepts the award granted pursuant to this Restricted Performance Share and Performance Share Agreement on the terms and conditions set forth herein.

Dated:

Grantee

Executed in the name of and on behalf of the Corporation at Cleveland, Ohio as of this ____ day of ____, 2006.

BRUSH ENGINEERED MATERIALS INC.

By

Michael C. Hasychak

Vice President, Treasurer and Secretary

2006 STOCK INCENTIVE PLAN

BRUSH ENGINEERED MATERIALS INC.

BENEFICIARY DESIGNATIONS

In accordance with the terms and conditions of the 2006 Stock Incentive Plan of Brush Engineered Materials Inc. (the "Plan"), I hereby designate the person(s) indicated below as my beneficiary(ies) to receive any amounts payable under said Plan after my death.

Name

Address

Social Sec. Nos. of Beneficiary(ies)

Relationship(s)

Date(s) of Birth

In the event that the above-named beneficiary(ies) predecease(s) me, I hereby designate the following person as beneficiary(ies);

Name

Address

Social Sec. Nos. of Beneficiary(ies)

Relationship(s)

Date(s) of Birth

I hereby expressly revoke all prior designations of beneficiary(ies), reserve the right to change the beneficiary(ies) herein designated and agree that the rights of said beneficiary(ies) shall be subject to the terms of the Plan. In the event that there is no beneficiary living at the time of my death, I understand that the amounts payable under the Plan will be paid to my estate.

Date

(Signature)

(Print or type name)

BRUSH ENGINEERED MATERIALS INC.

Appreciation Rights Agreement

WHEREAS, [GRANTEE NAME] (the “Grantee”) is an employee of Brush Engineered Materials Inc. (the “Company”) or a Subsidiary.

WHEREAS, the execution of an agreement in the form hereof has been authorized by a resolution of the Organization and Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of the Company that was duly adopted on May 2, 2006.

NOW, THEREFORE, the Company hereby grants to the Grantee, effective as of May 2, 2006 (the “Date of Grant”), but subject to Shareholder Approval (as defined in Section 16 of this Agreement), pursuant to the 2006 Incentive Stock Plan (the “Plan”), ___ Free-standing Appreciation Rights (“SARs”) subject to the terms and conditions of the Plan and the terms and conditions described below.

1. Definitions.

As used in this Agreement:

(A) “Base Price” means \$24.03 which was the Market Value per Share of on the Date of Grant.

(B) “Detrimental Activity” shall have the meaning set forth in Section 7 of this Agreement.

(C) “Market Price per Share” means, as of any particular date, an amount equal to [the mean between the high and low selling prices of the Common Shares on the New York Stock Exchange or if the Common Shares are not traded on the New York Stock Exchange, the principal national securities exchange on which the Common Shares are traded].

(D) “Spread” means the excess of the Market value per Share on the date when an SAR is exercised over the Base Price.

(E) Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

2. Grant of SARs.

The Company hereby grants to the Grantee the number of SARs set forth above. The SARs are a right to receive Common Shares in an amount equal to 100% of the Spread at the time of exercise.

3. Vesting of SARs.

(A) The SARs granted hereby shall become exercisable after the Grantee shall have remained in the continuous employ of the Company or any Subsidiary for three years from the Date of Grant.

(B) Notwithstanding the preceding paragraph:

(i) The SARs granted hereby shall become immediately exercisable in full if (a) the Grantee should retire under a retirement plan of the Company or any Subsidiary at or after the earliest voluntary retirement age provided in such retirement plan or should retire at an earlier age with the consent of the Board; or (b) the Grantee should die while in the employ of the Company or any subsidiary; and

(ii) The SARs granted hereby shall become immediately exercisable in full if the Optionee’s employment with the Company terminates under circumstances determined by the Board to be for the

convenience of the Company and the Committee approves the acceleration of the right to exercise the SARs under such circumstances.

4. Exercise of SARs.

(A) To the extent exercisable as provided in Section 3 of this agreement, SARs may be exercised in whole or in part by giving written notice to the Company specifying the number of SARs to be exercised.

(B) The Company will issue to the Grantee the number of Common Shares that equals the Market Price per Share divided into the Spread on the date of exercise rounded down to the nearest whole share.

5. Termination of SARs.

The SARs granted hereby shall terminate upon the earliest to occur of the following:

(A) 190 days after the Grantee ceases to be an employee of the Company or a Subsidiary, unless he ceases to be such employee by reason of death or in a manner described in clause (B), (C) or (F) below;

(B) One year after the Grantee ceases to be an employee of the Company or a Subsidiary if the Grantee is disabled within the meaning of Section 105(d)(4) of the Internal Revenue Code;

(C) Three years after the Grantee ceases to be an employee of the Company or a Subsidiary by reason of retirement under a retirement plan of the Company or a Subsidiary at or after the earliest voluntary retirement age provided for in such retirement plan or retirement at an earlier age with the consent of the Board of Directors;

(D) One year after the death of the Grantee, if the Grantee dies while an employee of the Company or a subsidiary or within the period specified in (A) or (B) above which is applicable to the Grantee;

(E) Ten years from the Date of Grant; and

(F) Immediately if the Grantee engages in any Detrimental Activity (as hereinafter defined).

6. Effect of Detrimental Activity.

If the Grantee, either during employment by the Company or a subsidiary or within one year after termination of such employment, shall engage in any Detrimental Activity, and the Board shall so find:

(A) All SARs held by the Grantee, whether or not exercisable, shall be forfeited to the Company.

(B) Return to the Company all Common Shares that the Grantee has not disposed of that were purchased pursuant to this Agreement, and

(C) With respect to any Common Shares that the Grantee received upon exercise of the SARs that have been disposed of pay to the Company in cash the amount equal to the Spread applicable to such Common Shares on the date of exercise of such SARs.

To the extent that such amounts are not paid to the Company, the Company may, to the extent permitted by law, set off the amounts so payable to it against any amounts that may be owing from time to time by the Company or a Subsidiary to the Grantee, whether as wages, deferred compensation or vacation pay or in the form of any other benefit or for any other reason.

7. Definition of Detrimental Activity.

For purposes of this Agreement, the term "Detrimental Activity" shall include:

(A) Engaging in any activity in violation of the Section entitled “Competitive Activity; Confidentiality; Nonsolicitation” in the Severance Agreement between the Company and the Optionee, if such agreement is in effect on the date hereof, or in violation of any corresponding provision in any other agreement between the Company and the Optionee in effect on the date hereof providing for the payment of severance compensation; or

(i) If no such severance agreement is in effect or if a severance agreement does not contain a section corresponding to “Competitive Activity; Confidentiality; Nonsolicitation” as of the date hereof:

(a) Competitive Activity During Employment. Competing with the Company anywhere within the United States during the term of the Optionee’s employment, including, without limitation:

- (1) entering into or engaging in any business which competes with the business of the Company;
- (2) soliciting customers, business, patronage or orders for, or selling, any products or services in competition with, or for any business that competes with, the business of the Company;
- (3) diverting, enticing or otherwise taking away any customers, business, patronage or orders of the Company or attempting to do so; or
- (4) promoting or assisting, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the business of the Company.

(b) Following Termination. For a period of one year following the Optionee’s termination date:

- (1) entering into or engaging in any business which competes with the Company’s business within the Restricted Territory (as hereinafter defined);
- (2) soliciting customers, business, patronage or orders for, or selling, any products or services in competition with, or for any business, wherever located, that competes with, the Company’s business within the Restricted Territory;
- (3) diverting, enticing or otherwise taking away any customers, business, patronage or orders of the Company within the Restricted Territory, or attempting to do so; or
- (4) promoting or assisting, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the Company’s business within the Restricted Territory.

For the purposes of Sections 7(A)(ii)(a) and (b) above, inclusive, but without limitation thereof, the Optionee will be in violation thereof if the Optionee engages in any or all of the activities set forth therein directly as an individual on the Optionee’s own account, or indirectly as a partner, joint venturer, employee, agent, salesperson, consultant, officer and/or director of any firm, association, partnership, corporation or other entity, or as a stockholder of any corporation in which the Optionee or the Optionee’s spouse, child or parent owns, directly or indirectly, individually or in the aggregate, more than five percent (5%) of the outstanding stock.

(c) “The Company.” For the purposes of this Section 7(A)(ii), the “Company” shall include any and all direct and indirect subsidiaries, parents, and affiliated, or related companies of the Company for which the Optionee worked or had responsibility at the time of termination of the Optionee’s employment and at any time during the two year period prior to such termination.

(d) “The Company’s Business.” For the purposes of this Section 7 inclusive, the Company’s business is defined to be the manufacture, marketing and sale of high performance engineered materials serving global telecommunications and computer, magnetic and optical data storage, aerospace and defense, automotive electronics,

industrial components and appliance markets, as further described in any and all manufacturing, marketing and sales manuals and materials of the Company as the same may be altered, amended, supplemented or otherwise changed from time to time, or of any other products or services substantially similar to or readily substitutable for any such described products and services.

(e) “Restricted Territory.” For the purposes of Section 7(A)(ii)(b), the Restricted Territory shall be defined as and limited to:

(1) the geographic area(s) within a one hundred mile radius of any and all Company location(s) in, to, or for which the Optionee worked, to which the Optionee was assigned or had any responsibility (either direct or supervisory) at the time of termination of the Optionee’s employment and at any time during the two-year period prior to such termination; and

(2) all of the specific customer accounts, whether within or outside of the geographic area described in (1) above, with which the Optionee had any contact or for which the Optionee had any responsibility (either direct or supervisory) at the time of termination of the Optionee’s employment and at any time during the two-year period prior to such termination.

(B) Extension. If it shall be judicially determined that the Optionee has violated any of the Optionee’s obligations under Section 7(A)(ii)(b), then the period applicable to each obligation that the Optionee shall have been determined to have violated shall automatically be extended by a period of time equal in length to the period during which such violation(s) occurred.

(B) Non-Solicitation. Except as otherwise provided in Section 7(A)(i), Detrimental Activity shall also include directly or indirectly at any time soliciting or inducing or attempting to solicit or induce any employee(s), sales representative(s), agent(s) or consultant(s) of the Company and/or of its parents, or its other subsidiaries or affiliated or related companies to terminate their employment, representation or other association with the Company and/or its parent or its other subsidiary or affiliated or related companies.

(C) Further Covenants. Except as otherwise provided in Section 7(A)(i), Detrimental Activity shall also include:

(i) directly or indirectly, at any time during or after the Optionee’s employment with the Company, disclosing, furnishing, disseminating, making available or, except in the course of performing the Optionee’s duties of employment, using any trade secrets or confidential business and technical information of the Company or its customers or vendors, including without limitation as to when or how the Optionee may have acquired such information. Such confidential information shall include, without limitation, the Company’s unique selling, manufacturing and servicing methods and business techniques, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information and other business information. The Optionee specifically acknowledges that all such confidential information, whether reduced to writing, maintained on any form of electronic media, or maintained in the Optionee’s mind or memory and whether compiled by the Company, and/or the Optionee, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the Company to maintain the secrecy of such information, that such information is the sole property of the Company and that any retention and use of such information by the Optionee during the Optionee’s employment with the Company (except in the course of performing the Optionee’s duties and obligations to the Company) or after the termination of the Optionee’s employment shall constitute a misappropriation of the Company’s trade secrets.

(ii) Upon termination of the Optionee’s employment with the Company, for any reason, the Optionee’s failure to return to the Company, in good condition, all property of the Company, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any items of information listed in Section 4(C)(i) of this Agreement.

(D) Discoveries and Inventions. Except as otherwise provided in Section 7(A)(i), Detrimental Activity shall also include the failure or refusal of the Optionee to assign to the Company, its successors, assigns or nominees, all of the Optionee's rights to any discoveries, inventions and improvements, whether patentable or not, made, conceived or suggested, either solely or jointly with others, by the Optionee while in the Company's employ, whether in the course of the Optionee's employment with the use of the Company's time, material or facilities or that is in any way within or related to the existing or contemplated scope of the Company's business. Any discovery, invention or improvement relating to any subject matter with which the Company was concerned during the Optionee's employment and made, conceived or suggested by the Optionee, either solely or jointly with others, within one year following termination of the Optionee's employment under this Agreement or any successor agreements shall be irrebuttably presumed to have been so made, conceived or suggested in the course of such employment with the use of the Company's time, materials or facilities. Upon request by the Company with respect to any such discoveries, inventions or improvements, the Optionee will execute and deliver to the Company, at any time during or after the Optionee's employment, all appropriate documents for use in applying for, obtaining and maintaining such domestic and foreign patents as the Company may desire, and all proper assignments therefor, when so requested, at the expense of the Company, but without further or additional consideration.

(E) Work Made For Hire. Except as otherwise provided in Section 7(A)(i), Detrimental Activity shall also include violation of the Company's rights in any or all work papers, reports, documentation, drawings, photographs, negatives, tapes and masters therefor, prototypes and other materials (hereinafter, "items"), including without limitation, any and all such items generated and maintained on any form of electronic media, generated by Optionee during the Optionee's employment with the Company. The Optionee acknowledges that, to the extent permitted by law, all such items shall be considered a "work made for hire" and that ownership of any and all copyrights in any and all such items shall belong to the Company. The item will recognize the Company as the copyright owner, will contain all proper copyright notices, e.g., "(creation date) [Company Name], All Rights Reserved," and will be in condition to be registered or otherwise placed in compliance with registration or other statutory requirements throughout the world.

(F) Termination for Cause. Except as otherwise provided in Section 7(A)(i), Detrimental Activity shall also include activity that results in termination for Cause. For the purposes of this Section, "Cause" shall mean that, the Optionee shall have:

(i) been convicted of a criminal violation involving fraud, embezzlement, theft or violation of federal antitrust statutes or federal securities laws in connection with his duties or in the course of his employment with the Company or any affiliate of the Company;

(ii) committed intentional wrongful damage to property of the Company or any affiliate of the Company; or

(iii) committed intentional wrongful disclosure of secret processes or confidential information of the Company or any affiliate of the Company;

and any such act shall have been demonstrably and materially harmful to the Company.

(G) Other Injurious Conduct. Detrimental Activity shall also include any other conduct or act determined to be injurious, detrimental or prejudicial to any significant interest of the Company or any subsidiary unless the Optionee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.

(H) Reasonableness. The Optionee acknowledges that the Optionee's obligations under this Section 4 are reasonable in the context of the nature of the Company's business and the competitive injuries likely to be sustained by the Company if the Optionee were to violate such obligations. The Optionee further acknowledges that this Agreement is made in consideration of, and is adequately supported by the agreement of the Company to perform its obligations under this Agreement and by other consideration, which the Optionee acknowledges constitutes good, valuable and sufficient consideration.

8. Transferability.

No SAR granted hereunder may be transferred by the Grantee other than by will or the laws of descent and distribution and may be exercised during a Grantee's lifetime only by the Grantee or, in the event of the Grantee legal incapacity, by the Grantee's guardian or legal representative acting in a fiduciary capacity on behalf of the Grantee under state law and court supervision.

9. Compliance with Law .

The SARs granted hereby shall not be exercisable if such exercise would involve a violation of any applicable state securities law, and the Company hereby agrees to make reasonable efforts to comply with any applicable state securities law. If the Ohio Securities Act shall be applicable to this option, it shall not be exercisable unless under said Act at the time of exercise the shares of Common Stock or other securities purchasable hereunder are exempt, are the subject matter of an exempt transaction, are registered by description or by qualification, or at such time are the subject matter of a transaction which has been registered by description.

10. Adjustments .

In the event of any change in the aggregate number of outstanding Common Shares by reason of (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation of the Company or other distribution of assets, issuance of rights or warrants to purchase securities of the Company, or (c) any other corporate transaction or event having an effect similar to any of the foregoing, then the Committee shall adjust the number of SARs covered by this Agreement and the Base Price in such manner as may be appropriate to prevent the dilution or enlargement of the rights of the Grantee that would otherwise result from such event.

11. Withholding Taxes .

To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with the exercise of the SARs, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to such exercise that the Grantee make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld. The Grantee may elect that all or any part of such withholding requirement be satisfied by retention by the Company of a portion of the Common Shares to be delivered to the Grantee. If such election is made, the shares so retained shall be credited against such withholding requirement at the Market Price per Share on the date of such exercise. In no event shall the Market Value per Share of the Common Shares to be withheld and/or delivered pursuant to this Section to satisfy applicable withholding taxes in connection with the benefit exceed the minimum amount of taxes required to be withheld.

12. Employment Rights .

Neither this Agreement nor any action taken hereunder shall be construed as giving the Grantee any right to be retained in the employ of the Company, nor shall any action taken hereunder be construed as entitling the Company to the services of the Grantee for any period of time. For purposes of this Agreement, the continuous employ of the Grantee with the Company or a Subsidiary shall not be deemed interrupted, and the Grantee shall not be deemed to have ceased to be an associate of the Company or any Subsidiary, by reason of the transfer of his or her employment among the Company and its Subsidiaries.

13. Amendments .

Any amendment to the Plan shall be deemed to be an amendment to this agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Grantee with respect to Restricted Shares without the Grantee's consent.

14. Severability .

In the event that one or more of the provisions of this agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

15. Governing Law.

This agreement is made under, and shall be construed in accordance with the internal substantive laws of the State of Ohio.

16. Requirement of Shareholder Approval.

“Shareholder Approval” means the approval of the Plan by the affirmative vote of the holders of a majority of the Common Shares present, or represented, and entitled to vote on the matter at a meeting. All of the SARs covered hereby shall be forfeited and this Agreement shall be null and void and of no effect if Shareholder Approval has not been obtained prior to December 31, 2006.

The undersigned hereby acknowledges receipt of an executed original of this Appreciation Rights Agreement and accepts the Appreciation Rights granted thereunder on the terms and conditions set forth herein and in the Plan.

Date:

[GRANTEE NAME]

Executed in the name and on behalf of the Company at Cleveland, Ohio as of the 8th day of May 2006.

BRUSH ENGINEERED MATERIALS INC.

By:

Michael C. Hasychak

Vice President, Treasurer and Secretary

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (this “Agreement”), dated as of ___, 2006 is made and entered by and between Brush Engineered Materials Inc., an Ohio corporation (the “Company”), and ___ (the “Executive”).

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company or one or more of its Subsidiaries and has made and is expected to continue to make major contributions to the short- and long-term profitability, growth and financial strength of the Company;

WHEREAS, the Company desires to assure itself of both present and future continuity of management and desires to establish certain minimum severance benefits for certain of its senior executives, including the Executive;

WHEREAS, the Company wishes to ensure that its senior executives are not practically disabled from discharging their duties in respect of a proposed or actual transaction involving a Change in Control;

WHEREAS, the Company desires to provide additional inducement for the Executive to continue to remain in the employ of the Company; and

WHEREAS, the Company and the Executive desire for this Severance Agreement to amend and supersede the Severance Agreement, dated ___, between the Company and the Executive and any other Severance Agreements entered into prior to the date hereof;

NOW, THEREFORE, the Company and the Executive agree as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) “Affiliate” means with respect to any Person, any holder of more than 10% of the outstanding shares or equity interests of such Person or any other Person which directly or indirectly controls, is controlled by or is under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the “controlled” Person, whether through ownership of voting securities, by contract or otherwise.

(b) “Base Pay” means the Executive’s annual base salary rate as in effect from time to time.

(c) “Board” means the Board of Directors of the Company.

(d) “Cause” means that, prior to any termination of Executive’s employment by the Company or any Affiliate of the Company, the Executive shall have:

(i) been convicted of a criminal violation involving fraud, embezzlement, theft or violation of federal antitrust statutes or federal securities laws in connection with his duties or in the course of his employment with the Company or any Affiliate of the Company;

(ii) committed intentional wrongful damage to property of the Company or any Affiliate of the Company;

(iii) committed intentional wrongful disclosure of secret processes or confidential information of the Company or any Affiliate of the Company; or

(iv) intentionally engaged in any activity in violation of Section 6;

and any such act shall have been demonstrably and materially harmful to the Company. For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed “intentional” if it was due primarily to an error in judgment or negligence, but shall be deemed “intentional” only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive’s action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for “Cause” hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive’s counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting “Cause” as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(e) “Change in Control” means

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own (X) 20% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”) without the approval of the Incumbent Board as defined in (ii) below or (Y) 35% or more of the Outstanding Voting Securities of the Company with the approval of the Incumbent Board; *provided, however*, that for purposes of this subsection (i), the following acquisitions shall not be deemed to result in a Change of Control: (A) any acquisition directly from the Company that is approved by the Incumbent Board (as defined in subsection (ii), below), (B) any acquisition by the Company or a subsidiary of the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, (D) any acquisition by any Person pursuant to a transaction described in clauses (A), (B) and (C) of subsection (iii) below, or (E) any acquisition by, or other Business Combination (as defined in (iii) below) with, a person or group of which employees of the Company or any subsidiary of the Company control a greater than 25% interest (a “MBO”) but only if the Executive is one of those employees of the Company or any subsidiary of the Company that are participating in the MBO; *provided, further*, that if any Person’s beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 20% or 35%, as the case may be, as a result of a transaction described in clause (A) or (B) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 20% or 35% or more, as the case may be, of the Outstanding Company Voting Securities; and *provided, further*, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meanings of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person’s acquisition; or

(ii) individuals who, as of the date hereof, constitute the Board (the “Incumbent Board” (as modified by this clause (ii)) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or

substantially all of the assets of the Company or the acquisition of assets of another corporation, or other transaction (“Business Combination”) excluding, however, such a Business Combination pursuant to which (A) the individuals and entities who were the ultimate beneficial owners of voting securities of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 65% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), (B) no Person (excluding any employee benefit plan (or related trust) of the Company, the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly (X) 20% or more, if such Business Combination is approved by the Incumbent Board or (Y) 35% or more, if such Business Combination is not approved by the Incumbent Board, of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company except pursuant to a Business Combination described in clauses (A), (B) and (C) of subsection (iii), above.

(f) “Change in Control Severance Period” means the period of time commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of (i) the third anniversary of the occurrence of the Change in Control, or (ii) the Executive’s death; *provided, however*, that commencing on each anniversary of the Change in Control, the Change in Control Severance Period will automatically be extended for an additional year unless, not later than 90 calendar days prior to such anniversary date, either the Company or the Executive shall have given written notice to the other that the Change in Control Severance Period is not to be so extended.

(g) “Employee Benefits” means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which Executive is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or an Affiliate of the Company), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements.

(h) “Gross Misconduct” means that prior to any termination of the Executive’s employment by the Company or any Affiliate of the Company, the Executive shall have been found to have engaged in willful gross misconduct in the performance of his duties to the Company or any Affiliate of the Company, which continues after written notice thereof and a reasonable opportunity to cure is given to the Executive, as determined by the Company or any Affiliate of the Company in its sole discretion.

(i) “Incentive Pay” means the annual bonus, incentive or other payment of compensation under the Management Performance Compensation Plan or, if such Management Performance Compensation Plan is no longer in effect, the annual bonus, incentive or other payment of compensation in addition to Base Pay, made or to be made in regard to services rendered in any year or other period pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or an Affiliate of the Company, or any successor thereto.

(j) “Involuntary Termination” means the termination of the Executive’s employment with the Company or an Affiliate of the Company under circumstances where the Executive is entitled to receive the benefits provided by Section 4(b) of this Agreement.

(k) “LTIP” means the incentive compensation paid or payable under the Long Term Cash Incentive Plan or, if such Long Term Cash Incentive Plan is no longer in effect, the incentive compensation in addition to Base Pay and Incentive Pay, made or to be made in regard to services rendered in any year or other period pursuant to any incentive,

performance or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or an Affiliate of the Company, or any successor thereto.

(l) “Retirement Plans” means the benefit plans (including the defined contribution plans and defined benefit plans) of the Company that are intended to be qualified under Section 401(a) of the Internal Revenue Code if the Executive was a participant in such Retirement Plan on the date of the occurrence of the Change in Control or Involuntary Termination, as applicable.

(m) “Special Severance Term” means the period commencing as of the date hereof and expiring on the close of business on December 31, 2007; *provided, however*, that (i) commencing on January 1, 2008 and each January 1 thereafter, the Special Severance Term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Special Severance Term extended; (ii) if a Change in Control occurs during the Special Severance Term, this Agreement shall terminate at the expiration of the Change in Control Severance Period; (iii) if an Involuntary Termination occurs during the Special Severance Term, this Agreement shall terminate at the expiration of the Involuntary Termination Continuation Period (as defined in Annex B attached hereto) and (iv) subject to the last sentence of Section 7, if, prior to a Change in Control, the Executive ceases to be an employee of the Company and any Affiliate of the Company, for any reason other than an Involuntary Termination, thereupon without further action the Special Severance Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 1(n), the Executive shall not be deemed to have ceased to be an employee of the Company and any Affiliate of the Company by reason of the transfer of Executive’s employment between the Company and any Affiliate of the Company, or among any Affiliates of the Company.

(n) “Subsidiary” means an entity in which the Company directly or indirectly beneficially owns 50% or more of the Outstanding Company Voting Securities.

(o) “Termination Date” means the date on which the Executive’s employment is terminated (the effective date of which shall be the date of termination, or such other date that may be specified by the Executive if the termination is pursuant to Section 2(b), Section 2(c) or Section 3(b)).

2. Termination Following a Change in Control.

(a) In the event of the occurrence of a Change in Control during the Special Severance Term, the Executive’s employment may be terminated by the Company or an Affiliate of the Company during the Change in Control Severance Period and the Executive shall be entitled to the benefits provided by Section 4(a) unless such termination is the result of the occurrence of one or more of the following events:

(i) The Executive’s death;

(ii) If the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, Executive immediately prior to the Change in Control; or

(iii) Cause.

(b) In the event of the occurrence of a Change in Control during the Special Severance Term, if (but only if) the Board determines that this Section 2(b) shall be operative following such Change in Control, the Executive may terminate employment with the Company and any Affiliate of the Company during the Change in Control Severance Period with the right to severance compensation as provided in Section 4(a) upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as hereinabove provided, for such termination exists or has occurred, including without limitation other employment):

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or a substantially equivalent or better office or position, of or with the Company and/or an Affiliate of the Company (or any successor thereto by operation of law or otherwise), as the case may be, which the Executive held immediately

prior to a Change in Control, or the removal of the Executive as a Director of the Company and/or an Affiliate of the Company (or any successor thereto) if the Executive shall have been a Director of the Company and/or an Affiliate of the Company immediately prior to the Change in Control;

(ii) (A) A significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company and any Affiliate of the Company which the Executive held immediately prior to the Change in Control, (B) a reduction in the aggregate of the Executive's Base Pay and Incentive Pay received from the Company and any Affiliate of the Company, or (C) the termination or denial of the Executive's rights to Employee Benefits or a reduction in the scope or value thereof, any of which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) The liquidation, dissolution, merger, consolidation or reorganization of the Company or the transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) assumed all duties and obligations of the Company under this Agreement pursuant to Section 9(a);

(iv) The Company relocates its principal executive offices (if such offices are the principal location of Executive's work), or requires the Executive to have his principal location of work changed, to any location that, in either case, is in excess of 50 miles from the location thereof immediately prior to the Change in Control, or requires the Executive to travel away from his office in the course of discharging his responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Executive in any of the three full years immediately prior to the Change in Control without, in either case, his prior written consent; or

(v) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such breach.

(c) Notwithstanding anything contained in this Agreement to the contrary, in the event of a Change in Control during the Special Severance Term, the Executive may terminate employment with the Company and any Affiliate of the Company for any reason, or without reason, during the 30-day period immediately following the first anniversary of the first occurrence of a Change in Control with the right to severance compensation as provided in Section 4(a).

(d) A termination by the Company pursuant to Section 2(a) or by the Executive pursuant to Section 2(b) or Section 2(c) will not affect any rights that the Executive may have pursuant to any agreement, policy, plan, program or arrangement of the Company or an Affiliate of the Company providing Employee Benefits, which rights shall be governed by the terms thereof.

(e) Unless otherwise expressly provided by the applicable plan, program or agreement, after the occurrence of a Change in Control during the Special Severance Term, the Company shall pay in cash to the Executive a lump sum amount equal to the value of any annual bonus (including, without limitation, incentive-based annual cash bonuses and performance units, but not including any equity-based compensation or compensation provided under a qualified plan) earned or accrued with respect to the Executive's service during the performance period or periods that includes the date on which the Change in Control occurred, disregarding any applicable vesting requirements; provided that (i) such amount shall be calculated at the plan target or payout rate, but prorated to base payment only on the portion of the Executive's service that had elapsed during the applicable performance period; and (ii) such amount shall be reduced by any amount actually paid to the Executive under the terms of such Plan. Such payment shall take into account service rendered through the payment date and shall be made at the earlier of (i) the date prescribed for payment pursuant to the applicable plan, program or agreement, or (ii) within five business days after the Termination Date.

(f) Limitation on Payments and Benefits. Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under Section 4(a) of this Agreement would be an "Excess Parachute Payment," within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision thereto, but for the application of this sentence, then the payments and benefits to be paid or

provided under Section 4(a) of this Agreement shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; *provided, however*, that the foregoing reduction shall be made only if and to the extent that such reduction would result in an increase in the aggregate payments and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income taxes). The determination of whether any reduction in such payments or benefits to be provided under Section 4(a) of this Agreement or otherwise is required pursuant to the preceding sentence shall be made at the expense of the Company, if requested by the Executive or the Company, by the Company's independent accountants. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 2(f) shall not of itself limit or otherwise affect any other rights of the Executive other than pursuant to Section 4(a) of this Agreement. In the event that any payment or benefit intended to be provided under Section 4(a) of this Agreement or otherwise is required to be reduced pursuant to this Section 2(f), the Executive shall be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section 2(f). The Company shall provide the Executive with all information reasonably requested by the Executive to permit the Executive to make such designation. In the event that the Executive fails to make such designation within 10 business days of the Termination Date, the Company may effect such reduction in any manner it deems appropriate.

(g) Legal Fees and Expenses.

(i) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's right to the payment of benefits provided by Section 4(a) of this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive thereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations with respect to the payment of benefits provided by Section 4(a) of this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare the Executive's right to the payment of benefits provided by Section 4(a) this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive by Section 4(a) of this Agreement, the Company irrevocably authorizes the Executive from time to time to retain counsel of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing.

(ii) Without limiting the obligations of the Company pursuant to Section 2(g)(i) hereof, in the event a Change in Control occurs during the Special Severance Term, the performance of the Company's obligations under Section 2 and Section 4(a) of this Agreement, including, without limitation, this Section 2(g), shall be secured by amounts deposited or to be deposited in trust pursuant to certain trust agreements to which the Company shall be a party providing that the benefits to be provided hereunder and the fees and expenses of counsel selected from time to time by the Executive pursuant to Section 2(g)(i) shall be paid, or reimbursed to the Executive if paid by the Executive, either in accordance with the terms of such trust agreements, or, if not so provided, on a regular, periodic basis upon presentation by the Executive to the trustee of a statement or statements prepared by such counsel in accordance with its customary practices. Any failure by the Company to satisfy any of its obligations under this Section 2(g)(ii) shall not limit the rights of the Executive hereunder. Subject to the foregoing, the Executive shall have the status of a general unsecured creditor of the Company and shall have no right to, or security interest in, any assets of the Company or any Affiliate of the Company.

(iii) In no event shall this Section 2(g) of this Agreement apply to any interpretation, enforcement or defense of the Executive's right to the payment of benefits provided by Section 4(b) of this Agreement by litigation or

otherwise.

3. Involuntary Termination

(a) In the event that the Executive's employment terminates prior to a Change in Control, the Executive shall be entitled to the benefits provided by Section 4(b) unless such termination is the result of the occurrence of one or more of the following events:

(i) The Executive's death;

(ii) If the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, Executive immediately prior to his Termination Date;

(iii) A termination of Executive's employment by the Company or any Affiliate of the Company for Cause;

(iv) A termination of Executive's employment by the Company or any Affiliate of the Company for Gross Misconduct; or

(v) A termination of Executive's employment by the Executive for any reason other than as provided in Section 3(b) below.

(b) Notwithstanding the foregoing, the Executive may elect to terminate his employment with the Company or any Affiliate of the Company with the right to severance compensation as provided in Section 4(b) upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause or Gross Misconduct as hereinabove provided, for such termination exists or has occurred, including without limitation other employment) (i) a reduction of the Executive's Base Pay without the Executive's consent or (ii) a reduction in the percentage level of the objective component of the Executive's Incentive Pay or LTIP opportunity without the Executive's consent; provided, however, that (A) such a reduction in Base Pay, Incentive Pay and/or LTIP opportunity is not part of a general reduction in executive officer compensation opportunity and (B) the Executive's right to severance compensation shall cease to exist for such an event unless he terminates his employment with the Company or any Affiliate of the Company prior to the close of business on the sixtieth (60th) day following the later of its occurrence or the Executive's knowledge thereof.

(c) A termination by the Company pursuant to Section 3(a) or by the Executive pursuant to Section 3(b) will not affect any rights that the Executive may have pursuant to any agreement, policy, plan, program or arrangement of the Company or an Affiliate of the Company providing Employee Benefits, which rights shall be governed by the terms thereof.

4. Severance Compensation.

(a) If, following the occurrence of a Change in Control during the Special Severance Term, the Company or an Affiliate of the Company terminates the Executive's employment during the Change in Control Severance Period other than pursuant to Section 2(a)(i), 2(a)(ii) or 2(a)(iii), or if the Executive terminates his employment pursuant to Section 2(b) (if Section 2(b) is operative) or Section 2(c), the Company will pay to the Executive the amounts described in Annex A within five business days after the Termination Date and will continue to provide to the Executive the benefits described in Annex A for the periods described therein.

(b) If, prior to a Change in Control, the Company or an Affiliate of the Company terminates the Executive's employment other than pursuant to Section 3(a)(i), 3(a)(ii), 3(a)(iii) or 3(a)(iv), or if the Executive terminates his employment pursuant to Section 3(b), the Company will pay to the Executive the amounts described in Annex B within five business days after the Termination Date and will continue to provide to the Executive the benefits described in Annex B for the periods described therein.

(c) Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or

provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the so-called composite “prime rate” as quoted from time to time during the relevant period in the Midwest Edition of The Wall Street Journal, plus 4%. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(d) Notwithstanding any provision of this Agreement to the contrary, the parties’ respective rights and obligations under this Section 4 and under Sections 2(g), 2(h), 6, 7 and 11 will survive any termination or expiration of this Agreement.

5. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the last sentence of Paragraph 3 set forth on Annex A and Annex B.

6. Competitive Activity; Confidentiality; Nonsolicitation.

(a) Acknowledgements and Agreements. The Executive hereby acknowledges and agrees that in the performance of the Executive’s duties to the Company during the term of his employment, the Executive will be brought into frequent contact, either in person, by telephone or through the mails, with existing and potential customers of the Company throughout the United States. The Executive also agrees that trade secrets and confidential information of the Company, more fully described in Section 6(j) of this Agreement, gained by the Executive during the Executive’s association with the Company, have been developed by the Company through substantial expenditures of time, effort and money and constitute valuable and unique property of the Company. The Executive further understands and agrees that the foregoing makes it necessary for the protection of the business of the Company that the Executive not compete with the Company during the term of his employment and not compete with the Company for a reasonable period thereafter, as further provided in the following subsections.

(b) Covenants During the Term. During the term of the Executive’s employment and prior to the Termination Date, the Executive will not compete with the Company anywhere within the United States. In accordance with this restriction, but without limiting its terms, during the term of the Executive’s employment, the Executive will not:

- (i) enter into or engage in any business which competes with the business of the Company;
- (ii) solicit customers, business, patronage or orders for, or sell, any products and services in competition with, or for any business that competes with, the business of the Company;
- (iii) divert, entice or otherwise take away any customers, business, patronage or orders of the Company or attempt to do so; or
- (iv) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the business of the Company.

(c) Covenants Following Termination. For a period of (i) two (2) years following an Involuntary Termination or (ii) one (1) year following the Termination Date for any other reason, if the Executive has received or is receiving benefits under this Agreement, the Executive will not:

- (A) enter into or engage in any business which competes with the Company’s business within the Restricted Territory (as defined in Section 6(g));
- (B) solicit customers, business, patronage or orders for, or sell, any products and services in competition with, or for any business, wherever located, that competes with, the Company’s business within the

Restricted Territory;

- (C) divert, entice or otherwise take away any customers, business, patronage or orders of the Company within the Restricted Territory, or attempt to do so; or
- (D) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the Company's business within the Restricted Territory.

(d) Indirect Competition. For the purposes of Sections 6(b) and 6(c), inclusive, but without limitation thereof, the Executive will be in violation thereof if the Executive engages in any or all of the activities set forth therein directly as an individual on the Executive's own account, or indirectly as a partner, joint venturer, employee, agent, salesperson, consultant, officer and/or director of any firm, association, partnership, corporation or other entity, or as a stockholder of any corporation in which the Executive or the Executive's spouse, child or parent owns, directly or indirectly, individually or in the aggregate, more than five percent (5%) of the outstanding stock.

(e) The Company. For the purposes of this Section 6, the Company shall include any and all direct and indirect subsidiary, parent, affiliated, or related companies of the Company for which the Executive worked or had responsibility at the time of termination of the Executive's employment and at any time during the two (2) year period prior to such termination.

(f) The Company's Business. For the purposes of Sections 6(b), 6(c), 6(k) and 6(l), inclusive, the Company's business is defined to be the manufacture, marketing and sale of high performance engineered materials serving global telecommunications, computer, automotive electronics, industrial components and optical media markets, as further described in any and all manufacturing, marketing and sales manuals and materials of the Company as the same may be altered, amended, supplemented or otherwise changed from time to time, or of any other products or services substantially similar to or readily substitutable for any such described products and services.

(g) Restricted Territory. For the purposes of Section 6(c), the Restricted Territory shall be defined as and limited to:

(i) the geographic area(s) within a one hundred (100) mile radius of any and all Company location(s) in, to, or for which the Executive worked, to which the Executive was assigned or had any responsibility (either direct or supervisory) at the time of termination of the Executive's employment and at any time during the two (2) year period prior to such termination; and

(ii) all of the specific customer accounts, whether within or outside of the geographic area described in (i) above, with which the Executive had any contact or for which the Executive had any responsibility (either direct or supervisory) at the time of termination of the Executive's employment and at any time during the two (2) year period prior to such termination.

(h) Extension. If it shall be judicially determined that the Executive has violated any of the Executive's obligations under Section 6(c), then the period applicable to each obligation that the Executive shall have been determined to have violated shall automatically be extended by a period of time equal in length to the period during which such violation(s) occurred.

(i) Non-Solicitation. The Executive will not directly or indirectly at any time solicit or induce or attempt to solicit or induce any employee(s), sales representative(s), agent(s) or consultant(s) of the Company and/or of its parent, or its other subsidiary, affiliated or related companies to terminate their employment, representation or other association with the Company and/or its parent or its other subsidiary, affiliated or related companies.

(j) Further Covenants.

(i) The Executive will keep in strict confidence, and will not, directly or indirectly, at any time during or after the Executive's employment with the Company, disclose, furnish, disseminate, make available or, except in the course of performing the Executive's duties of employment, use any trade secrets or confidential business and

technical information of the Company or its customers or vendors, including without limitation as to when or how the Executive may have acquired such information. Such confidential information shall include, without limitation, the Company's unique selling, manufacturing and servicing methods and business techniques, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information and other business information. The Executive specifically acknowledges that all such confidential information, whether reduced to writing, maintained on any form of electronic media, or maintained in the Executive's mind or memory and whether compiled by the Company, and/or the Executive, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the Company to maintain the secrecy of such information, that such information is the sole property of the Company and that any retention and use of such information by the Executive during the Executive's employment with the Company (except in the course of performing the Executive's duties and obligations to the Company) or after the termination of the Executive's employment shall constitute a misappropriation of the Company's trade secrets.

(ii) The Executive agrees that upon termination of the Executive's employment with the Company, for any reason, the Executive shall return to the Company, in good condition, all property of the Company, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any items of information listed in Section 6(j)(i) of this Agreement. In the event that such items are not so returned, the Company will have the right to charge the Executive for all reasonable damages, costs, attorneys' fees and other expenses incurred in searching for, taking, removing and/or recovering such property.

(k) Discoveries and Inventions; Work Made for Hire .

(i) The Executive hereby assigns and agrees to assign to the Company, its successors, assigns or nominees, all of the Executive's rights to any discoveries, inventions and improvements, whether patentable or not, made, conceived or suggested, either solely or jointly with others, by the Executive while in the Company's employ, whether in the course of the Executive's employment with the use of the Company's time, material or facilities or that is in any way within or related to the existing or contemplated scope of the Company's business. Any discovery, invention or improvement relating to any subject matter with which the Company was concerned during the Executive's employment and made, conceived or suggested by the Executive, either solely or jointly with others, within one (1) year following termination of the Executive's employment under this Agreement or any successor agreements shall be irrebuttably presumed to have been so made, conceived or suggested in the course of such employment with the use of the Company's time, materials or facilities. Upon request by the Company with respect to any such discoveries, inventions or improvements, the Executive will execute and deliver to the Company, at any time during or after the Executive's employment, all appropriate documents for use in applying for, obtaining and maintaining such domestic and foreign patents as the Company may desire, and all proper assignments therefor, when so requested, at the expense of the Company, but without further or additional consideration.

(ii) The Executive acknowledges that, to the extent permitted by law, all work papers, reports, documentation, drawings, photographs, negatives, tapes and masters therefor, prototypes and other materials (hereinafter, "items"), including without limitation, any and all such items generated and maintained on any form of electronic media, generated by the Executive during the Executive's employment with the Company shall be considered a "work made for hire" and that ownership of any and all copyrights in any and all such items shall belong to the Company. The item will recognize the Company as the copyright owner, will contain all proper copyright notices , e.g., "(creation date) Brush Engineered Materials Inc., All Rights Reserved," and will be in condition to be registered or otherwise placed in compliance with registration or other statutory requirements throughout the world.

(l) Communication of Contents of Agreement . During the Executive's employment and for a period of (i) two (2) years following an Involuntary Termination or (ii) one (1) year following the Termination Date for any other reason, if the Executive has received or is receiving benefits under this Agreement, the Executive will communicate the contents of this Section 6 of this Agreement to any person, firm, association, partnership, corporation or other entity which the Executive intends to be employed by, associated with, or represent and which is engaged in a business that is competitive to the business of the Company.

(m) Relief. The Executive acknowledges and agrees that the remedy at law available to the Company for breach of any of the Executive's obligations under this Agreement would be inadequate. The Executive therefore agrees that, in addition to any other rights or remedies that the Company may have at law or in equity, temporary and permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision contained in Sections 6(b), 6(c), 6(i), 6(j), 6(k) and 6(l), inclusive, of this Agreement, without the necessity of proof of actual damage.

(n) Reasonableness. The Executive acknowledges that the Executive's obligations under this Section 6 are reasonable in the context of the nature of the Company's business and the competitive injuries likely to be sustained by the Company if the Executive was to violate such obligations. The Executive further acknowledges that this Agreement is made in consideration of, and is adequately supported by the agreement of the Company to perform its obligations under this Agreement and by other consideration, which the Executive acknowledges constitutes good, valuable and sufficient consideration.

7. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Affiliate of the Company. Any termination of employment of the Executive or the removal of the Executive from the office or position in the Company or any Affiliate of the Company that occurs following the commencement of any discussion with a third person that ultimately results in a Change in Control, shall be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

8. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.

9. Successors and Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 9(a) and 9(b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 9(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

10. Notices. For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of

address shall be effective only upon receipt.

11. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement shall be administered in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Executive). In particular, to the extent the Executive becomes entitled to receive payment subject to Section 409A upon an event that does not constitute a permitted distribution event under Section 409A(a)(2) of the Code, then notwithstanding anything to the contrary in this Agreement, payment will be made to the Executive on the earlier of (a) the Executive's "separation from service" with the Company (determined in accordance with Section 409A); provided, however, that if the Executive is a "specified employee" (within the meaning of Section 409A) and the payment of any amounts described in Annex A or Annex B, as applicable, would not meet the "short-term deferral" exemption under Section 409A of the Code (or otherwise qualify for exemption under Section 409A of the Code), then the Company will pay such amounts to the Executive 6 months following the Executive's "separation from service" (within the meaning of Section 409A of the Code) or (b) the Executive's death.

12. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

13. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

14. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. References to Sections are to Sections of this Agreement.

15. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

16. Prior Agreement. This Agreement supersedes, as of the date first above written, the Agreement, dated as of ___, 200 __ (the "Prior Agreement"), between the Company and the Executive. Executive agrees that he or she has no further rights under the Prior Agreement.

17. Termination of Agreement. Unless otherwise terminated in accordance with the above provisions, this Agreement shall continue in effect until the Executive's Termination Date.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

BRUSH ENGINEERED MATERIALS INC.

By:
Name:
Title:

[Executive]

CHANGE IN CONTROL SEVERANCE COMPENSATION

(1) A lump sum payment in an amount equal to three times the sum of (A) Base Pay (at the highest rate in effect for any period prior to the Termination Date), plus (B) Incentive Pay (in an amount equal to not less than the higher of (1) the highest aggregate Incentive Pay earned in any fiscal year ending after the Change in Control or in any of the three fiscal years immediately preceding the year in which the Change in Control occurred or (2) the plan target for the year in which the Change in Control occurred).

(2) A lump sum payment in an amount equal to the present value of the bonuses the Executive would have received under any LTIP for performance periods in effect at the time of the termination of the Executive's employment had he continued to be employed through the period covered by any such plan, assuming payout under such plans at the plan target rate, reduced by any amounts actually paid to the Executive under the terms of any such plan. In determining present value for this purpose, there shall be applied a discount factor equal to the coupon rate on general full-faith-and-credit obligations of the U.S. Treasury having a maturity of five years and issued on the date of the termination of the Executive's employment.

(3) For a period of 36 months following the Termination Date (the "Change in Control Continuation Period"), the Company will arrange to provide the Executive with Employee Benefits that are welfare benefits including, without limitation, retiree medical and life insurance (but not perquisites, stock option, performance share, performance unit, stock purchase, stock appreciation or similar compensatory benefits or benefits covered by (4) below) substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 2(b)(ii)). If and to the extent that any benefit described in this Paragraph 3 is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any Affiliate of the Company, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit described in this Paragraph 3 which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any Affiliate of the Company, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, or any other provision of the Agreement, for purposes of determining the period of continuation coverage to which the Executive or any of his dependents is entitled pursuant to Section 4980B of the Code (or any successor provision thereto) under the Company's medical, dental and other group health plans, or successor plans, the Executive's "qualifying event" shall be the termination of the Change in Control Continuation Period. Further, for purposes of the immediately preceding sentence and for any other purpose including, without limitation, the calculation of service or age to determine Executive's eligibility for benefits under any retiree medical benefits or life insurance plan or policy, the Executive shall be considered to have remained actively employed on a full-time basis through the termination of the Change in Control Continuation Period. Without otherwise limiting the purposes or effect of Section 5, Employee Benefits otherwise receivable by the Executive pursuant to this Paragraph 3 will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Change in Control Continuation Period following the Executive's Termination Date, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(4) In addition to the retirement income and other benefits to which Executive is entitled under the Company's Retirement Plans with respect to Executive's employment through the Termination Date, a lump sum payment in an amount equal to the present value of the excess of (x) the retirement income and other benefits that would be payable to the Executive under the Retirement Plans if Executive had continued to be employed as an active participant in the Company's Retirement Plans through the Change in Control Continuation Period given the Executive's Base Pay and Incentive Pay (as determined in Paragraph 1) (without regard to any amendment to the Retirement Plans made subsequent to a Change in Control which reduces the retirement income or other benefits thereunder), over (y) the retirement income and other benefits that the Executive is entitled to receive (either immediately or on a deferred basis) under the Retirement Plans. For purposes of this Paragraph 4, present value shall be determined by applying a discount factor equal to the annual rate of interest on 30-year U.S. Treasury securities issued on the date of the termination of the Executive's employment (or, if no such securities are issued on such date, on the

most recent date preceding the date of the termination of the Executive's employment on which such securities are issued), and by using the 1983 Group Annuity Mortality Table (50% male/50% female).

(5) Notwithstanding any provision to the contrary in any applicable plan, program or agreement, upon the occurrence of a Change in Control, all equity incentive awards held by the Executive shall become fully vested and all stock options held by the Executive shall become fully exercisable.

(6) If the Executive is receiving or has been granted cash payments from the Company which have been authorized by the Board to replace the benefit that would have accrued under the Company's former Supplemental Retirement Benefit Plan (whether or not designated as a "special award"), a lump sum payment equal to three times the aggregate award authorized by the Board for the year in which the Termination Date occurs.

(7) If the Executive is entitled to receive or has received, during the year in which the Termination Date occurs, a credit of nonelective deferred compensation under the Company's Executive Deferred Compensation Plan II, a lump sum payment in an amount equal to three times the aggregate amount of nonelective deferred compensation designated by the Organization and Compensation Committee of the Board for the year in which the Termination Date occurs.

(8) A lump sum payment equal to the cash value of the club dues and financial counseling benefits that the Executive would have been entitled to receive during the Change in Control Continuation Period based on the annual value of such club dues and financial counseling benefits immediately before the Termination Date or, if greater, immediately before the Change in Control; provided that the Executive must have been receiving such benefits immediately prior to either the Termination Date or the date of the Change in Control.

(9) Reasonable fees for outplacement services, by a firm selected by the Executive, at the expense of the Company in an amount not in excess of \$20,000.

Annex B

INVOLUNTARY TERMINATION SEVERANCE COMPENSATION

(1) A lump sum payment in an amount equal to two times the sum of (A) Base Pay (at the highest rate in effect for any period prior to the Termination Date), plus (B) Incentive Pay (in an amount equal to not less than the highest aggregate Incentive Pay earned in the fiscal year in which the Termination Date occurred or in any of the three fiscal years immediately preceding the year in which the Termination Date occurred).

(2) An amount equal to the bonuses the Executive would have received under any LTIP for performance periods in effect at the time of the termination of the Executive's employment had he continued to be employed through the period covered by any such plan, reduced by any amounts actually paid to the Executive under the terms of any such plan. Notwithstanding the foregoing, the Executive shall receive a lump sum payment in an amount equal to the present value of 50% of such LTIP bonus amount, assuming payout under such plans at the plan target rate, upon the termination of Executive's employment. If, at the end of the applicable performance period, the Executive would be entitled to receive an amount in excess of 50% of the LTIP bonus amount, such excess amount shall be paid to the Executive in a lump sum at the end of the applicable performance period. In determining present value for this purpose, there shall be applied a discount factor equal to the coupon rate on general full-faith-and-credit obligations of the U.S. Treasury having a maturity of five years and issued on the date of the termination of the Executive's employment.

(3) For a period of 24 months following the Termination Date (the "Involuntary Termination Continuation Period"), the Company will arrange to provide the Executive with Employee Benefits that are welfare benefits including, without limitation, retiree medical and life insurance (but not perquisites, stock option, performance share, performance unit, stock purchase, stock appreciation or similar compensatory benefits or benefits covered by (4) below) substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date. If and to the extent that any benefit described in this Paragraph 3 is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any Affiliate of the Company, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such

Employee Benefits along with, in the case of any benefit described in this Paragraph 3 which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any Affiliate of the Company, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, or any other provision of the Agreement, for purposes of determining the period of continuation coverage to which the Executive or any of his dependents is entitled pursuant to Section 4980B of the Code (or any successor provision thereto) under the Company's medical, dental and other group health plans, or successor plans, the Executive's "qualifying event" shall be the termination of the Involuntary Termination Continuation Period. Further, for purposes of the immediately preceding sentence and for any other purpose including, without limitation, the calculation of service or age to determine Executive's eligibility for benefits under any retiree medical benefits or life insurance plan or policy, the Executive shall be considered to have remained actively employed on a full-time basis through the termination of the Involuntary Termination Continuation Period. Without otherwise limiting the purposes or effect of Section 5, Employee Benefits otherwise receivable by the Executive pursuant to this Paragraph 3 will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Involuntary Termination Continuation Period following the Executive's Termination Date, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(4) In addition to the retirement income and other benefits to which Executive is entitled under the Company's Retirement Plans with respect to Executive's employment through the Termination Date, a lump sum payment in an amount equal to the present value of the excess of (x) the retirement income and other benefits that would be payable to the Executive under the Retirement Plans if Executive had continued to be employed as an active participant in the Company's Retirement Plans through the Involuntary Termination Continuation Period given the Executive's Base Pay and Incentive Pay (as determined in Paragraph 1) (without regard to any amendment to the Retirement Plans made subsequent to the Involuntary Termination which reduces the retirement income or other benefits thereunder), over (y) the retirement income and other benefits that the Executive is entitled to receive (either immediately or on a deferred basis) under the Retirement Plans. For purposes of this Paragraph 4, present value shall be determined by applying a discount factor equal to the annual rate of interest on 30-year U.S. Treasury securities issued on the date of the termination of the Executive's employment (or, if no such securities are issued on such date, on the most recent date preceding the date of the termination of the Executive's employment on which such securities are issued), and by using the 1983 Group Annuity Mortality Table (50% male/50% female).

(5) Notwithstanding any provision to the contrary in any applicable plan, program or agreement, upon the occurrence of an Involuntary Termination, all equity incentive awards held by the Executive shall become fully vested and all stock options held by the Executive shall become fully exercisable.

(6) If the Executive is receiving or has been granted cash payments from the Company which have been authorized by the Board to replace the benefit that would have accrued under the Company's former Supplemental Retirement Benefit Plan (whether or not designated as a "special award"), a lump sum payment equal to two times the aggregate award authorized by the Board for the year in which the Termination Date occurs.

(7) If the Executive is entitled to receive or has received, during the year in which the Termination Date occurs, a credit of nonelective deferred compensation under the Company's Executive Deferred Compensation Plan II, a lump sum payment in an amount equal to two times the aggregate amount of nonelective deferred compensation designated by the Organization and Compensation Committee of the Board for the year in which the Termination Date occurs.

(8) Reasonable fees for outplacement services, by a firm selected by the Executive, at the expense of the Company in an amount not in excess of \$20,000.

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (this “Agreement”), dated as of ___, 2006 is made and entered by and between Brush Engineered Materials Inc., an Ohio corporation (the “Company”), and ___ (the “Executive”).

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company or one or more of its Subsidiaries and has made and is expected to continue to make major contributions to the short- and long-term profitability, growth and financial strength of the Company;

WHEREAS, the Company recognizes that, as is the case for most companies, the possibility of a Change in Control (as defined below) exists;

WHEREAS, the Company desires to assure itself of both present and future continuity of management and desires to establish certain minimum severance benefits for certain of its senior executives, including the Executive, applicable in the event of a Change in Control;

WHEREAS, the Company wishes to ensure that its senior executives are not practically disabled from discharging their duties in respect of a proposed or actual transaction involving a Change in Control; and

WHEREAS, the Company desires to provide additional inducement for the Executive to continue to remain in the employ of the Company;

WHEREAS, the Company and the Executive desire for this Severance Agreement to amend and supersede the Severance Agreement, dated ___, 200_, between the Company and the Executive and any other Severance Agreements entered into prior to the date hereof;

NOW, THEREFORE, the Company and the Executive agree as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) “Affiliate” means with respect to any Person, any holder of more than 10% of the outstanding shares or equity interests of such Person or any other Person which directly or indirectly controls, is controlled by or is under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the “controlled” Person, whether through ownership of voting securities, by contract or otherwise.

(b) “Base Pay” means the Executive’s annual base salary rate as in effect from time to time.

(c) “Board” means the Board of Directors of the Company.

(d) “Cause” means that, prior to any termination pursuant to Section 3(a)(iii), Section 3(b) or Section 3(c), the Executive shall have:

(i) been convicted of a criminal violation involving fraud, embezzlement, theft or violation of federal antitrust statutes or federal securities laws in connection with his duties or in the course of his employment with the Company or any Affiliate of the Company;

(ii) committed intentional wrongful damage to property of the Company or any Affiliate of the Company;

(iii) committed intentional wrongful disclosure of secret processes or confidential information of the

Company or any Affiliate of the Company; or

(iv) intentionally engaged in any activity in violation of Section 8;

and any such act shall have been demonstrably and materially harmful to the Company. For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed “intentional” if it was due primarily to an error in judgment or negligence, but shall be deemed “intentional” only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive’s action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for “Cause” hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive’s counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting “Cause” as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(e) “Change in Control” means

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own (X) 20% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”) without the approval of the Incumbent Board as defined in (ii) below or (Y) 35% or more of the Outstanding Voting Securities of the Company with the approval of the Incumbent Board; *provided, however*, that for purposes of this subsection (i), the following acquisitions shall not be deemed to result in a Change of Control: (A) any acquisition directly from the Company that is approved by the Incumbent Board (as defined in subsection (ii), below), (B) any acquisition by the Company or a subsidiary of the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, (D) any acquisition by any Person pursuant to a transaction described in clauses (A), (B) and (C) of subsection (iii) below, or (E) any acquisition by, or other Business Combination (as defined in (iii) below) with, a person or group of which employees of the Company or any subsidiary of the Company control a greater than 25% interest (a “MBO”) but only if the Executive is one of those employees of the Company or any subsidiary of the Company that are participating in the MBO; *provided, further*, that if any Person’s beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 20% or 35%, as the case may be, as a result of a transaction described in clause (A) or (B) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 20% or 35% or more, as the case may be, of the Outstanding Company Voting Securities; and *provided, further*, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meanings of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person’s acquisition; or

(ii) individuals who, as of the date hereof, constitute the Board (the “Incumbent Board” (as modified by this clause (ii)) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the

election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation, or other transaction (“Business Combination”) excluding, however, such a Business Combination pursuant to which (A) the individuals and entities who were the ultimate beneficial owners of voting securities of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 65% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), (B) no Person (excluding any employee benefit plan (or related trust) of the Company, the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly (X) 20% or more, if such Business Combination is approved by the Incumbent Board or (Y) 35% or more, if such Business Combination is not approved by the Incumbent Board, of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company except pursuant to a Business Combination described in clauses (A), (B) and (C) of subsection (iii), above.

(f) “Employee Benefits” means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which Executive is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or an Affiliate of the Company), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements.

(g) “Incentive Pay” means the annual bonus, incentive or other payment of compensation under the Management Performance Compensation Plan or, if such Management Performance Compensation Plan is no longer in effect, the annual bonus, incentive or other payment of compensation in addition to Base Pay, made or to be made in regard to services rendered in any year or other period pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or an Affiliate of the Company, or any successor thereto.

(h) “LTIP” means the incentive compensation, in addition to Base Pay and Incentive Pay, earned in regard to services rendered in any year or other period pursuant to any incentive, performance or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or an Affiliate of the Company, or any successor thereto, including, without limitation, (i) the earnout of restricted performance shares that vest upon achievement of specified performance goals, (ii) the payout of performance shares or (iii) the payout of incentive compensation under the Long Term Cash Incentive Plan.

(i) “Retirement Plans” means the benefit plans (including the defined contribution and defined benefit plans) of the Company that are intended to be qualified under Section 401(a) of the Internal Revenue Code if the Executive was a participant in such Retirement Plan on the date of the occurrence of the Change in Control.

(j) “Severance Period” means the period of time commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of (i) the third anniversary of the occurrence of the Change in Control, or (ii) the Executive’s death; *provided, however*, that commencing on each anniversary of the Change in Control, the Severance Period will automatically be extended for an additional year unless, not later than 90 calendar days prior to such anniversary date, either the Company or the Executive shall have given written notice to the other that the

Severance Period is not to be so extended.

(k) “Subsidiary” means an entity in which the Company directly or indirectly beneficially owns 50% or more of the Outstanding Company Voting Securities.

(l) “Term” means the period commencing as of the date hereof and expiring on the close of business on December 31, 2007; *provided, however*, that (i) commencing on January 1, 2008 and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended; (ii) if a Change in Control occurs during the Term, the Term shall expire and this Agreement will terminate at the expiration of the Severance Period; and (iii) subject to the last sentence of Section 9, if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company and any Affiliate of the Company, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 1(k), the Executive shall not be deemed to have ceased to be an employee of the Company and any Affiliate of the Company by reason of the transfer of Executive’s employment between the Company and any Affiliate of the Company, or among any Affiliates of the Company.

(m) “Termination Date” means the date on which the Executive’s employment is terminated (the effective date of which shall be the date of termination, or such other date that may be specified by the Executive if the termination is pursuant to Section 3(b) or Section 3(c)).

2. Operation of Agreement. This Agreement will be effective and binding immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, except as provided in Section 9, this Agreement will not be operative unless and until a Change in Control occurs. Upon the occurrence of a Change in Control at any time during the Term, without further action, this Agreement shall become immediately operative.

3. Termination Following a Change in Control.

(a) In the event of the occurrence of a Change in Control, the Executive’s employment may be terminated by the Company or an Affiliate of the Company during the Severance Period and the Executive shall be entitled to the benefits provided by Section 4 unless such termination is the result of the occurrence of one or more of the following events:

(i) The Executive’s death;

(ii) If the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, Executive immediately prior to the Change in Control; or

(iii) Cause.

(b) In the event of the occurrence of a Change in Control, if (but only if) the Board determines that this Section 3 (b) shall be operative following such Change in Control, the Executive may terminate employment with the Company and any Affiliate of the Company during the Severance Period with the right to severance compensation as provided in Section 4 upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as hereinabove provided, for such termination exists or has occurred, including without limitation other employment):

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or a substantially equivalent or better office or position, of or with the Company and/or an Affiliate of the Company (or any successor thereto by operation of law or otherwise), as the case may be, which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a Director of the Company and/or an Affiliate of the Company (or any successor thereto) if the Executive shall have been a Director of the Company and/or an Affiliate of the Company immediately prior to the Change in Control;

(ii) (A) A significant adverse change in the nature or scope of the authorities, powers, functions,

responsibilities or duties attached to the position with the Company and any Affiliate of the Company which the Executive held immediately prior to the Change in Control, (B) a reduction in the aggregate of the Executive's Base Pay and Incentive Pay received from the Company and any Affiliate of the Company, or (C) the termination or denial of the Executive's rights to Employee Benefits or a reduction in the scope or value thereof, any of which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) The liquidation, dissolution, merger, consolidation or reorganization of the Company or the transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) assumed all duties and obligations of the Company under this Agreement pursuant to Section 11(a);

(iv) The Company relocates its principal executive offices (if such offices are the principal location of Executive's work), or requires the Executive to have his principal location of work changed, to any location that, in either case, is in excess of 50 miles from the location thereof immediately prior to the Change in Control, or requires the Executive to travel away from his office in the course of discharging his responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Executive in any of the three full years immediately prior to the Change in Control without, in either case, his prior written consent; or

(v) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such breach.

(c) Notwithstanding anything contained in this Agreement to the contrary, in the event of a Change in Control, the Executive may terminate employment with the Company and any Affiliate of the Company for any reason, or without reason, during the 30-day period immediately following the first anniversary of the first occurrence of a Change in Control with the right to severance compensation as provided in Section 4.

(d) A termination by the Company pursuant to Section 3(a) or by the Executive pursuant to Section 3(b) or Section 3(c) will not affect any rights that the Executive may have pursuant to any agreement, policy, plan, program or arrangement of the Company or an Affiliate of the Company providing Employee Benefits, which rights shall be governed by the terms thereof.

4. Severance Compensation .

(a) If, following the occurrence of a Change in Control, the Company or an Affiliate of the Company terminates the Executive's employment during the Severance Period other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), or if the Executive terminates his employment pursuant to Section 3(b) (if Section 3(b) is operative) or Section 3(c), the Company will pay to the Executive the amounts described in Annex A within five business days after the Termination Date and will continue to provide to the Executive the benefits described in Annex A for the periods described therein.

(b) Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the so-called composite "prime rate" as quoted from time to time during the relevant period in the Midwest Edition of The Wall Street Journal, plus 4%. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(c) Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under this Section 4 and under Sections 5, 7, 8, 9 and 13 will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever.

(d) Unless otherwise expressly provided by the applicable plan, program or agreement, after the occurrence of a Change in Control, the Company shall pay in cash to the Executive a lump sum amount equal to the value of any

annual bonus (including, without limitation, incentive-based annual cash bonuses and performance units, but not including any equity-based compensation or compensation provided under a qualified plan) earned or accrued with respect to the Executive's service during the performance period or periods that includes the date on which the Change in Control occurred, disregarding any applicable vesting requirements; provided that (i) such amount shall be calculated at the plan target or payout rate, but prorated to base payment only on the portion of the Executive's service that had elapsed during the applicable performance period; and (ii) such amount shall be reduced by any amount actually paid to the Executive under the terms of such Plan. Such payment shall take into account service rendered through the payment date and shall be made at the earlier of (i) the date prescribed for payment pursuant to the applicable plan, program or agreement, or (ii) within five business days after the Termination Date.

5. Limitation on Payments and Benefits . Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement would be an "Excess Parachute Payment," within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision thereto, but for the application of this sentence, then the payments and benefits to be paid or provided under this Agreement shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; *provided, however* , that the foregoing reduction shall be made only if and to the extent that such reduction would result in an increase in the aggregate payments and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income taxes). The determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence shall be made at the expense of the Company, if requested by the Executive or the Company, by the Company's independent accountants. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 5 shall not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 5, the Executive shall be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section 5. The Company shall provide the Executive with all information reasonably requested by the Executive to permit the Executive to make such designation. In the event that the Executive fails to make such designation within 10 business days of the Termination Date, the Company may effect such reduction in any manner it deems appropriate.

6. No Mitigation Obligation . The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the last sentence of Paragraph 3 set forth on Annex A.

7. Legal Fees and Expenses .

(a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that

a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing.

(b) Without limiting the obligations of the Company pursuant to Section 7(a) hereof, in the event a Change in Control occurs, the performance of the Company's obligations under this Agreement, including, without limitation, this Section 7 and Annex A, shall be secured by amounts deposited or to be deposited in trust pursuant to certain trust agreements to which the Company shall be a party providing that the benefits to be provided hereunder and the fees and expenses of counsel selected from time to time by the Executive pursuant to Section 7(a) shall be paid, or reimbursed to the Executive if paid by the Executive, either in accordance with the terms of such trust agreements, or, if not so provided, on a regular, periodic basis upon presentation by the Executive to the trustee of a statement or statements prepared by such counsel in accordance with its customary practices. Any failure by the Company to satisfy any of its obligations under this Section 7(b) shall not limit the rights of the Executive hereunder. Subject to the foregoing, the Executive shall have the status of a general unsecured creditor of the Company and shall have no right to, or security interest in, any assets of the Company or any Affiliate of the Company.

8. Competitive Activity; Confidentiality; Nonsolicitation.

(a) Acknowledgements and Agreements. The Executive hereby acknowledges and agrees that in the performance of the Executive's duties to the Company during the Term, the Executive will be brought into frequent contact, either in person, by telephone or through the mails, with existing and potential customers of the Company throughout the United States. The Executive also agrees that trade secrets and confidential information of the Company, more fully described in Section 8(j) of this Agreement, gained by the Executive during the Executive's association with the Company, have been developed by the Company through substantial expenditures of time, effort and money and constitute valuable and unique property of the Company. The Executive further understands and agrees that the foregoing makes it necessary for the protection of the business of the Company that the Executive not compete with the Company during the Term and not compete with the Company for a reasonable period thereafter, as further provided in the following subsections.

(b) Covenants During the Term. During the Term and prior to the Termination Date, the Executive will not compete with the Company anywhere within the United States. In accordance with this restriction, but without limiting its terms, during the term of the Executive's employment, the Executive will not:

(i) enter into or engage in any business which competes with the business of the Company;

(ii) solicit customers, business, patronage or orders for, or sell, any products and services in competition with, or for any business that competes with, the business of the Company;

(iii) divert, entice or otherwise take away any customers, business, patronage or orders of the Company or attempt to do so; or

(iv) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the business of the Company.

(c) Covenants Following Termination. For a period of one (1) year following the Termination Date, if the Executive has received or is receiving benefits under this Agreement, the Executive will not:

(i) enter into or engage in any business which competes with the Company's business within the Restricted Territory (as defined in Section 8(g));

(ii) solicit customers, business, patronage or orders for, or sell, any products and services in competition with, or for any business, wherever located, that competes with, the Company's business within the Restricted Territory;

(iii) divert, entice or otherwise take away any customers, business, patronage or orders of the Company within the Restricted Territory, or attempt to do so; or

(iv) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the Company's business within the Restricted Territory.

(d) Indirect Competition. For the purposes of Sections 8(b) and 8(c), inclusive, but without limitation thereof, the Executive will be in violation thereof if the Executive engages in any or all of the activities set forth therein directly as an individual on the Executive's own account, or indirectly as a partner, joint venturer, employee, agent, salesperson, consultant, officer and/or director of any firm, association, partnership, corporation or other entity, or as a stockholder of any corporation in which the Executive or the Executive's spouse, child or parent owns, directly or indirectly, individually or in the aggregate, more than five percent (5%) of the outstanding stock.

(e) The Company. For the purposes of this Section 8, the Company shall include any and all direct and indirect subsidiary, parent, affiliated, or related companies of the Company for which the Executive worked or had responsibility at the time of termination of the Executive's employment and at any time during the two (2) year period prior to such termination.

(f) The Company's Business. For the purposes of Sections 8(b), 8(c), 8(k) and 8(l), inclusive, the Company's business is defined to be the manufacture, marketing and sale of high performance engineered materials serving global telecommunications, computer, automotive electronics, industrial components and optical media markets, as further described in any and all manufacturing, marketing and sales manuals and materials of the Company as the same may be altered, amended, supplemented or otherwise changed from time to time, or of any other products or services substantially similar to or readily substitutable for any such described products and services.

(g) Restricted Territory. For the purposes of Section 8(c), the Restricted Territory shall be defined as and limited to:

(i) the geographic area(s) within a one hundred (100) mile radius of any and all Company location(s) in, to, or for which the Executive worked, to which the Executive was assigned or had any responsibility (either direct or supervisory) at the time of termination of the Executive's employment and at any time during the two (2) year period prior to such termination; and

(ii) all of the specific customer accounts, whether within or outside of the geographic area described in (i) above, with which the Executive had any contact or for which the Executive had any responsibility (either direct or supervisory) at the time of termination of the Executive's employment and at any time during the two (2) year period prior to such termination.

(h) Extension. If it shall be judicially determined that the Executive has violated any of the Executive's obligations under Section 8(c), then the period applicable to each obligation that the Executive shall have been determined to have violated shall automatically be extended by a period of time equal in length to the period during which such violation(s) occurred.

(i) Non-Solicitation. The Executive will not directly or indirectly at any time solicit or induce or attempt to solicit or induce any employee(s), sales representative(s), agent(s) or consultant(s) of the Company and/or of its parent, or its other subsidiary, affiliated or related companies to terminate their employment, representation or other association with the Company and/or its parent or its other subsidiary, affiliated or related companies.

(j) Further Covenants.

(i) The Executive will keep in strict confidence, and will not, directly or indirectly, at any time during or after the Executive's employment with the Company, disclose, furnish, disseminate, make available or, except in the course of performing the Executive's duties of employment, use any trade secrets or confidential business and technical information of the Company or its customers or vendors, including without limitation as to when or how the Executive may have acquired such information. Such confidential information shall include, without limitation, the Company's unique selling, manufacturing and servicing methods and business techniques, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information and other business information. The Executive specifically acknowledges that

all such confidential information, whether reduced to writing, maintained on any form of electronic media, or maintained in the Executive's mind or memory and whether compiled by the Company, and/or the Executive, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the Company to maintain the secrecy of such information, that such information is the sole property of the Company and that any retention and use of such information by the Executive during the Executive's employment with the Company (except in the course of performing the Executive's duties and obligations to the Company) or after the termination of the Executive's employment shall constitute a misappropriation of the Company's trade secrets.

(ii) The Executive agrees that upon termination of the Executive's employment with the Company, for any reason, the Executive shall return to the Company, in good condition, all property of the Company, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any items of information listed in Section 8(j)(i) of this Agreement. In the event that such items are not so returned, the Company will have the right to charge the Executive for all reasonable damages, costs, attorneys' fees and other expenses incurred in searching for, taking, removing and/or recovering such property.

(k) Discoveries and Inventions; Work Made for Hire .

(i) The Executive hereby assigns and agrees to assign to the Company, its successors, assigns or nominees, all of the Executive's rights to any discoveries, inventions and improvements, whether patentable or not, made, conceived or suggested, either solely or jointly with others, by the Executive while in the Company's employ, whether in the course of the Executive's employment with the use of the Company's time, material or facilities or that is in any way within or related to the existing or contemplated scope of the Company's business. Any discovery, invention or improvement relating to any subject matter with which the Company was concerned during the Executive's employment and made, conceived or suggested by the Executive, either solely or jointly with others, within one (1) year following termination of the Executive's employment under this Agreement or any successor agreements shall be irrebuttably presumed to have been so made, conceived or suggested in the course of such employment with the use of the Company's time, materials or facilities. Upon request by the Company with respect to any such discoveries, inventions or improvements, the Executive will execute and deliver to the Company, at any time during or after the Executive's employment, all appropriate documents for use in applying for, obtaining and maintaining such domestic and foreign patents as the Company may desire, and all proper assignments therefor, when so requested, at the expense of the Company, but without further or additional consideration.

(ii) The Executive acknowledges that, to the extent permitted by law, all work papers, reports, documentation, drawings, photographs, negatives, tapes and masters therefor, prototypes and other materials (hereinafter, "items"), including without limitation, any and all such items generated and maintained on any form of electronic media, generated by the Executive during the Executive's employment with the Company shall be considered a "work made for hire" and that ownership of any and all copyrights in any and all such items shall belong to the Company. The item will recognize the Company as the copyright owner, will contain all proper copyright notices , e.g., "(creation date) Brush Engineered Materials Inc., All Rights Reserved," and will be in condition to be registered or otherwise placed in compliance with registration or other statutory requirements throughout the world.

(l) Communication of Contents of Agreement . During the Executive's employment and for one (1) year thereafter, the Executive will communicate the contents of this Section 8 of this Agreement to any person, firm, association, partnership, corporation or other entity which the Executive intends to be employed by, associated with, or represent and which is engaged in a business that is competitive to the business of the Company.

(m) Relief . The Executive acknowledges and agrees that the remedy at law available to the Company for breach of any of the Executive's obligations under this Agreement would be inadequate. The Executive therefore agrees that, in addition to any other rights or remedies that the Company may have at law or in equity, temporary and permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision contained in Sections 8(b), 8(c), 8(i), 8(j), 8(k) and 8(l), inclusive, of this Agreement, without the necessity of proof of actual damage.

(n) Reasonableness . The Executive acknowledges that the Executive's obligations under this Section 8 are reasonable in the context of the nature of the Company's business and the competitive injuries likely to be sustained by the Company if the Executive was to violate such obligations. The Executive further acknowledges that this Agreement is made in consideration of, and is adequately supported by the agreement of the Company to perform its obligations under this Agreement and by other consideration, which the Executive acknowledges constitutes good, valuable and sufficient consideration.

9. Employment Rights . Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Affiliate of the Company prior to or following any Change in Control. Any termination of employment of the Executive or the removal of the Executive from the office or position in the Company or any Affiliate of the Company that occurs following the commencement of any discussion with a third person that ultimately results in a Change in Control, shall be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

10. Withholding of Taxes . The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.

11. Successors and Binding Agreement .

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 11(a) and 11(b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 11(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

12. Notices . For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

13. Compliance with Section 409A of the Code . To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code. This Agreement shall be administered in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent

of the Executive). In particular, to the extent the Executive becomes entitled to receive payment subject to Section 409A upon an event that does not constitute a permitted distribution event under Section 409A(a)(2) of the Code, then notwithstanding anything to the contrary in this Agreement, payment will be made to the Executive on the earlier of (a) the Executive's "separation from service" with the Company (determined in accordance with Section 409A); provided, however, that if the Executive is a "specified employee" (within the meaning of Section 409A) and the payment of any amounts described in Annex A would not meet the "short-term deferral" exemption under Section 409A of the Code (or otherwise qualify for exemption under Section 409A of the Code), then the Company will pay such amounts to the Executive 6 months following the Executive's "separation from service" (within the meaning of Section 409A of the Code) or (b) the Executive's death.

14. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

15. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

16. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. References to Sections are to Sections of this Agreement.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

18. Prior Agreement. This Agreement supersedes, as of the date first above written, the Agreement, dated as of ___, 200 __ (the "Prior Agreement"), between the Company and the Executive. Executive agrees that he or she has no further rights under the Prior Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

BRUSH ENGINEERED MATERIALS INC.

By:
Name:
Title:

[Executive]

Annex A

SEVERANCE COMPENSATION

(1) A lump sum payment in an amount equal to two times the sum of (A) Base Pay (at the highest rate in effect for any period prior to the Termination Date), plus (B) Incentive Pay (in an amount equal to not less than the higher of (1) the highest aggregate Incentive Pay earned in any fiscal year ending after the Change in Control or in any of the three fiscal years immediately preceding the year in which the Change in Control occurred or (2) the plan target for the year in which the Change in Control occurred).

(2) A lump sum payment in an amount equal to the present value of the bonuses the Executive would have received under any LTIP of the Company for performance periods in effect at the time of the termination of the Executive's employment had he continued to be employed through the period covered by any such plan, assuming payout under such plans at the plan target rate, reduced by any amounts actually paid to the Executive under the terms of any such plan. In determining present value for this purpose, there shall be applied a discount factor equal to the coupon rate on general full-faith-and-credit obligations of the U.S. Treasury having a maturity of five years and issued on the date of the termination of the Executive's employment.

(3) For a period of 24 months following the Termination Date (the "Continuation Period"), the Company will arrange to provide the Executive with Employee Benefits that are welfare benefits including, without limitation, retiree medical and life insurance (but not perquisites, stock option, performance share, performance unit, stock purchase, stock appreciation or similar compensatory benefits or benefits covered by (4) below) substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 3(b)(ii)). If and to the extent that any benefit described in this Paragraph 3 is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any Affiliate of the Company, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit described in this Paragraph 3 which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any Affiliate of the Company, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, or any other provision of the Agreement, for purposes of determining the period of continuation coverage to which the Executive or any of his dependents is entitled pursuant to Section 4980B of the Code (or any successor provision thereto) under the Company's medical, dental and other group health plans, or successor plans, the Executive's "qualifying event" shall be the termination of the Continuation Period. Further, for purposes of the immediately preceding sentence and for any other purpose including, without limitation, the calculation of service or age to determine Executive's eligibility for benefits under any retiree medical benefits or life insurance plan or policy, the Executive shall be considered to have remained actively employed on a full-time basis through the termination of the Continuation Period. Without otherwise limiting the purposes or effect of Section 6, Employee Benefits otherwise receivable by the Executive pursuant to this Paragraph 3 will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period following the Executive's Termination Date, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(4) In addition to the retirement income and other benefits to which Executive is entitled under the Company's Retirement Plans with respect to Executive's employment through the Termination Date, a lump sum payment in an amount equal to the present value of the excess of (x) the retirement income and other benefits that would be payable to the Executive under the Retirement Plans if Executive had continued to be employed as an active participant in the Company's Retirement Plans through the Continuation Period given the Executive's Base Pay and Incentive Pay (as determined in Paragraph 1) (without regard to any amendment to the Retirement Plans made subsequent to a Change in Control which reduces the retirement income or other benefits thereunder), over (y) the retirement income and other benefits that the Executive is entitled to receive (either immediately or on a deferred basis) under the Retirement Plans. For purposes of this Paragraph 4, present value shall be determined by applying a discount factor equal to the annual rate of interest on 30-year U.S. Treasury securities issued on the date of the termination of the Executive's employment (or, if no such securities are issued on such date, on the most recent date preceding the date of the termination of the Executive's employment on which such securities are issued), and by using the 1983 Group Annuity Mortality Table (50% male/50% female).

(5) Notwithstanding any provision to the contrary in any applicable plan, program or agreement, upon the occurrence of a Change in Control, all equity incentive awards held by the Executive shall become fully vested and all stock options held by the Executive shall become fully exercisable.

(6) If the Executive is receiving or has been granted cash payments from the Company which have been authorized by the Board to replace the benefit that would have accrued under the Company's former Supplemental Retirement Benefit Plan (whether or not designated as a "special award"), a lump sum payment equal to two times the aggregate award authorized by the Board for the year in which the Termination Date occurs.

(7) If the Executive is entitled to receive or has received, during the year in which the Termination Date occurs, a credit of nonelective deferred compensation under the Company's Executive Deferred Compensation Plan II, a lump sum payment in an amount equal to two times the aggregate amount of nonelective deferred compensation designated by the Organization and Compensation Committee of the Board for the year in which the Termination Date occurs.

(8) A lump sum payment equal to the cash value of the club dues and financial counseling benefits that the Executive would have been entitled to receive during the Continuation Period based on the annual value of such club dues and financial counseling benefits immediately before the Termination Date or, if greater, immediately before the Change in Control; provided that the Executive must have been receiving such benefits immediately prior to either the Termination Date or the date of the Change in Control.

(9) Reasonable fees for outplacement services, by a firm selected by the Executive, at the expense of the Company in an amount not in excess of \$20,000.

BRUSH ENGINEERED MATERIALS INC.

2006 Non - employee Director Equity Plan

1. Purposes. The purpose of this 2006 Non-employee Director Equity Plan (the “Director Plan”) is to provide ownership in the Common Shares of Brush Engineered Materials Inc. (the “Company”) to members of the Board of Directors (the “Board”) who are not employees in order to align their interests more closely with the interests of the Company’s other shareholders and to provide financial incentives and rewards that will help attract and retain the most qualified non-employee directors. This Plan replaces the Company’s 1997 Stock Incentive Plan for Non-employee Directors (As amended and restated as of May 1, 2001), as further amended by Amendment No. 1 (the “1997 Director Plan”) and the 2005 Deferred Compensation Plan for Non-employee Directors (the “2005 Director Plan”).

2. Administration.

(a) This Plan will be administered by the Governance Committee of the Board (the “Committee”), which will have full power and authority, subject to the provisions of this Plan, to supervise administration and to interpret the provisions of this Plan and to authorize and supervise any grant of any award, any issuance or payment of Common Shares and any crediting or payment of Deferred Stock Units (as defined in Section 6 below). No Participant (as defined in Section 3 below) in this Director Plan will participate in the making of any

decision with respect to any question relating to grants made or Common Shares issued under this Plan to that Participant only.

(b) The interpretation and construction by the Committee of any provision of this Plan or any agreement, notification or document evidencing the grant of Awards and any determination by the Committee pursuant to any provision of this Plan or any such agreement, notification or document, shall be final and conclusive. No member of the Committee shall be liable for any such action taken or determination made in good faith.

3. Eligibility. Each member of the Board who is not an employee of the Company will be eligible to receive awards and Common Shares in accordance with this Plan (each, a “Participant”), provided that shares remain available for issuance hereunder in accordance with Section 4.

4. Shares Subject to this Plan. The shares that may be issued or credited to accounts pursuant to Section 6 of this Plan will be 150,000 Common Shares, subject to adjustment in accordance with Section 11 of this Plan.

5. Compensation in General. The amount of the director retainer fee, any director fees that may be payable for attendance at meetings of the Board and/or committees thereof and any other compensation paid to the directors for services as a director (collectively, the “Director Compensation”) will be determined from time to time in accordance with the Company’s Code of Regulations and applicable law.

6. Equity Awards.

(a) The Committee may grant to Participants under this Director Plan the following types of awards (each, an “Award”): stock options, stock appreciation rights (“SARs”), restricted stock, restricted stock units, other stock awards and deferred stock units, as described herein.

(b) Each Award granted under this Plan will be subject to such terms and conditions as shall be established by the Committee, and the Committee will determine the number of Common Shares underlying each Award. Notwithstanding the foregoing:

(i) *Stock Options.* The exercise price of each option will be determined by the Committee but will not be less than 100% of the

Fair Market Value of a Common Share on the date the option is granted. Each option will expire and will be exercisable at such time and subject to such terms and conditions as the Committee shall determine, provided that no option will be exercisable later than

the tenth anniversary of its grant. In no event will the Committee cancel any outstanding stock option for the purpose of reissuing the stock option to the Participant at a lower exercise price or reduce the exercise price of an outstanding stock option.

(ii) *SARs.* SARs may be granted in tandem with a stock option granted under this Director Plan or on a free-standing basis. The

grant price of a tandem SAR will be equal to the exercise price of the related option and the grant price of a free-standing SAR will be

at least equal to 100% of the Fair Market Value of a Common Share on the date of its grant. A SAR may be exercised upon such terms and conditions and for such term as the Committee in its sole discretion determines, provided that the term will not exceed the option term in the case of a tandem SAR or ten years in the case of a free-standing SAR. Payment for an SAR may be made in cash or stock, as determined by the Committee.

(iii) *Restricted Stock and Restricted Stock Units.* Restricted stock and restricted stock units may be subject to such restrictions and conditions as the Committee determines and all restrictions will expire at such times as the Committee shall specify.

(iv) *Stock Awards.* The Committee may award to Participants, on a quarterly or other basis, a specified number of Common Shares or a number of Common Shares equal to a dollar value as determined by the Committee from time to time.

(v) *Deferred Stock Units.* Each Participant may elect to have restricted stock units or other stock awards under this Director Plan paid in the form of deferred stock units ("Deferred Stock Units") upon vesting or payment of such Award, which Deferred Stock Units will be credited to a book-keeping account in the name of the Participant in accordance with this Director Plan.

(c) Unless otherwise determined by the Committee, the following Awards shall be made automatically:

(i) On the business day following the day a Participant is first elected or appointed to the Board, such Participant shall be granted Common Shares equal to \$100,000 divided by the Fair Market Value of a Common Share on the day the Participant is elected or appointed to the Board, which shall be unrestricted except as may otherwise be required by law.

(ii) On the business day following the annual meeting of shareholders beginning with the 2006 annual meeting, each Participant shall be granted the number of restricted stock units equal to \$45,000 divided by the Fair Market Value of a Common Share on the day of the annual meeting. Such restricted stock units shall be paid-out in Common Shares at the end of a one-year restriction period unless the Participant elects to be paid in Deferred Stock Units. Notwithstanding the foregoing, if a Participant incurs a termination of service before the end of such one-year restriction period, such Participant shall be entitled to receive a pro-rata payment of Common Shares based on the number of full months of service since the date of grant. Such pro-rata payments, if any, that were deferred pursuant to elections made under Sections 7 and 8 shall remain subject to such elections.

7. Further Elections.

(a) Any Participant may elect to have all or any portion of the cash portion of his or her Director Compensation paid in Common Shares and may further elect to have all or any portion of any Director Compensation that the Participant has elected to receive in Common Shares and any Awards granted as Director Compensation paid in the form of Deferred Stock Units, which will be credited to the Participant's account. For the portion of a Participant's cash Director Compensation that he or she elects to receive in Common Shares, the number of Common Shares to be issued will equal the cash amount that would have been paid divided by the Fair Market Value of one Common Share on the first business day immediately preceding the date on which such cash amount would have been paid. Awards that are deferred pursuant to this Section 7(a) will be credited to the Deferred Stock Units account on a one for one basis. 2

(b) An election pursuant Sections 6(b)(v) and/or 7(a) must be made in writing and delivered to the Company prior to the first day of the calendar year for which the Director Compensation would be earned; provided that elections with respect to awards made under Section 6 (c)(ii) on the first business day following the 2006 annual shareholders' meeting must be made prior to the date of such meeting. To elect to defer Director Compensation earned during the first calendar year in which a director becomes eligible to participate in this Director Plan, the new director must make an election pursuant to Section 6(b)(v) and/or 7(a) within 30 days after becoming eligible to participate

in this Director Plan and such election shall be effective only with regard to Director Compensation earned subsequent to the filing of the election. All elections to defer Director Compensation under the 2005 Director Plan that were made prior to the start of the 2006 calendar year shall be treated as elections to defer Director Compensation under this Director Plan for the 2006 calendar year.

(c) If a director does not file an election form by the specified date, he or she will receive any Director Compensation for the year that is payable in Common Shares on a current basis and will be deemed to have elected to receive the remainder of the Director Compensation in cash.

8. Deferral.

(a) If a Participant elects to receive Deferred Stock Units, there will be credited to the Participant's account as of the day such Director Compensation would have been paid, the number of Deferred Stock Units which is equal to the number of Common Shares that would otherwise have been delivered to the Participant pursuant to Section 6 and/or Section 7(a) on such date. The Deferred Stock Units credited

to the Participant's account (plus any additional shares credited pursuant to Section 8(c) below) will represent the number of Common Shares that the Company will issue to the Participant at the end of the deferral period. Unless otherwise provided herein or pursuant to the terms of any Award hereunder, all Deferred Stock Units awarded under this Director Plan will vest 100% upon the award of such Deferred Stock Units.

(b) The Deferred Stock Units will be subject to a deferral period beginning on the date of crediting to the Participant's account and ending upon termination of service as a director or such other period as the Participant may have elected. The period of deferral will be for a minimum period of one year, except in the case where the Participant elects a deferral period determined by reference to his or her termination of service as a director. The Participant may elect payment in a lump sum or payment in equal installments over five or ten

years. Elections with respect to the time and method (i.e., lump sum or installments) of payment must be made at the same time as the participant's election to defer as described in Section 7(b). If the Participant does not specify a time for payment, the Participant will receive payment upon termination of service as a director and if no method of payment is specified by the Participant, he or she will

receive payment in a lump sum. A Participant may change the time and method of payment he or she previously elected (or was deemed to elect) by filing a subsequent election with the Company at least twelve months before the date of the previously elected payment date or commencement date, and the newly elected payment date (or payment commencement date) must be at least five years after the previously elected payment date (or the previously elected payment commencement date); *provided, however*, that such modification will not be effective unless the Participant remains a Director for at least twelve months after the date on which such modification was made. During

the deferral period, the Participant will have no right to transfer any rights under his or her Deferred Stock Units and will have no other rights of ownership therein.

(c) A Participant's account will be credited as of the last day of each calendar quarter with that number of additional Deferred Stock Units equal to the amount of cash dividends paid by the Company during such quarter on the number of Common Shares equivalent to the number of Deferred Stock Units in the Participant's account from time to time during such quarter divided by the Fair Market Value of one Common Share on the day immediately preceding the last business day of such calendar quarter. Such dividend equivalents, which will likewise be credited with dividend equivalents, will be deferred until the end of the deferral period for the Deferred Stock Units with respect to which the dividend equivalents were credited. 3

(d) Notwithstanding the foregoing provisions, (i) if, upon the Participant's termination of service as a director, the value of the Participant's account is less than \$10,000 the amount of such Participant's account will be immediately paid to the Participant in cash or Common Shares, (ii) if a Change in Control (as defined in Section 9(c) below) of the Company occurs, the amount of each Participant's account will immediately be paid to the Participant in full and (iii) in the event of an unforeseeable emergency, as defined under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), that is caused by an event beyond the control of the Participant and that would result in severe financial hardship to the individual if acceleration were not permitted, the Committee will accelerate the payment to the Participant of the Participant's account, but only up to the amount necessary to meet the emergency.

(e) To the extent a Participant is entitled to a lump sum payment following a Change in Control under Section 8(d) above and such Change in Control does not constitute a "change in the ownership or effective control" or a "change in the ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A(a)(2)(A)(v) of the Code, then notwithstanding Section 8(d),

payment will be made, to the extent necessary to comply with the provisions of Section 409A of the Code, to the Participant on the earliest of (i) the Participant's termination of service with the Company (determined in accordance with Section 409A); (ii) the date payment otherwise would have been made in the absence of Section 8(d) (provided such date is a permissible distribution date under Section 409A), or (iii) the Participant's death.

9. Definitions, etc.

(a) For purposes of this Director Plan, Common Shares means (i) Common Shares without par value of the Company and (ii) any security into which Common Shares may be converted by reason of any transaction or even of the type referred to in Section 11 of this Director Plan.

(b) For purposes of this Director Plan, the Fair Market Value means, as of any particular date, the fair market value of the Common Shares as determined by the Committee.

(c) For purposes of this Director Plan, Change in Control of the Company shall have the meaning determined by the Committee from time to time.

(d) Notwithstanding anything to the contrary contained in this Director Plan, it is a condition to the issuance of Common Shares or Deferred Stock Units that the transaction be registered under applicable securities laws and no Participant will be able to receive Common Shares or Deferred Stock Units in payment of all or part of his or her Director Compensation unless and until such registration has been effected.

(e) For purposes of this Director Plan, “termination of service” means a separation from service as defined under Section 409A of the Code.

10. Delivery of Shares. The Company will make delivery of certificates representing the Common Shares which a Participant is entitled to receive 60 days following the Participant’s right to receive such Common Shares.

11. Adjustments. In the event that, after the Effective Date of this Director Plan (as defined in Section 16), the number of outstanding Common Shares is increased or decreased or such shares are exchanged for a different number or kind of shares or other securities by reason of a stock dividend, stock split, recapitalization, reclassification, combination of shares or other change in the capital structure of the Company or by reason of a merger, consolidation, spin off, split off, spin out, split up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities or any other corporate transaction or event having an effect similar to any of the foregoing, adjustments will be made by the Board in the number and kind of shares or other securities that are underlying Awards and/or credited to accounts hereunder (and in the exercise price or other price of shares subject to outstanding Awards) and that may be issued under this Director Plan as it deems to be appropriate. Moreover, in the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for any or 4

all outstanding Awards under this Director Plan such alternative consideration (if any) as it, in good faith may determine to be equitable in the circumstances and may require in connection therewith the surrender of all Awards so replaced.

12. Termination or Amendment of this Director Plan. To the extent permitted under 409A of the Code, the Committee may at any time and from time to time terminate, amend or suspend this Director Plan; *provided, however*, that the Committee may not materially alter this Director Plan without shareholder approval, including by increasing the benefits accrued to Participants under this Director Plan; increasing the number of securities which may be issued under this Director Plan; modifying the requirements for participation in this Director Plan; or by including a provision allowing the Board or the Committee to lapse or waive restrictions at its discretion. An amendment or the termination of this Director Plan will not adversely affect the right of a Participant to receive Common Shares issuable or cash payable at the effective date of the amendment or termination. No grant will be made under this Director Plan more than 10 years after the date of which it is first approved by shareholders, but all grants made on or prior to such date will continue in effect thereunder subject to the terms thereof and of this Director Plan.

13. Transferability.

(a) Except as provided in Section 13(c) below, no option right or SAR or other derivative security granted under this Director Plan may be transferred by a Participant except by will or the laws of descent and distribution. Except as otherwise determined by the Committee, option rights and SARs granted under this Director Plan may not be exercised during a Participant’s lifetime except by the Participant or, in the event of the Participant’s legal incapacity, by his guardian or legal representative acting in a fiduciary capacity on behalf of the Participant under state law and court supervision.

(b) The Committee may specify at the date of grant, that all or any part of the Common Shares that are (i) to be issued or transferred by

the Company upon the exercise of option rights or upon the termination of the restriction period applicable to restricted stock units, or

(ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer applicable to restricted stock, shall be subject to further restrictions upon transfer.

(c) The Committee may determine that option rights and SARs may be transferable by a Participant, without payment of consideration therefor by the transferee, only to any one or more members of the Participant's immediate family; provided, however, that (i) no such transfer shall be effective unless reasonable prior notice thereof is delivered to the Corporation and such transfer is thereafter effected in

accordance with any terms and conditions that shall have been made applicable thereto by the Company or the Committee and (ii) any such transferee shall be subject to the same terms and conditions hereunder as the Participant. For the purposes of this Section 16(c), the term "immediate family" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law,

son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the

Participant) own more than fifty percent of the voting interests.

14. Miscellaneous.

(a) To the extent that the application of any formula described in this Director Plan does not result in a whole number of Common Shares, the result will be rounded upwards to the next whole number.

(b) The adoption and maintenance of this Director Plan will not be deemed to be a contract between the Company and the Participant to retain his or her position as a director of the Company.

15. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Director Plan comply with the provisions of Section 409A of the Code. This Director Plan will be administered in a manner consistent with this intent, and any provision that would cause this Director Plan to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply with 5

Section 409A (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Participants in this Director Plan). Any reference to Section 409A of the Code will include any proposed, temporary or final regulations or any other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

16. Effective Date of this Director Plan. This Director Plan will be effective immediately on May 2, 2006, the date of its approval by the shareholders of the Company (the "Effective Date"). On the Effective Date, any account balances held by a Participant under the 2005 Director Plan in the form of Deferred Shares shall be treated as Deferred Stock Units, which shall be payable under this Director Plan, but without any change in the time or method of payment provided for in the 2005 Director Plan or any election currently in effect thereunder.

**Brush Engineered Materials Completes Earlier Announced Leadership Transition; Richard J. Hipple
Appointed President, Chief Executive Officer and Chairman with Retirement of Gordon D. Harnett**

CLEVELAND — May 2, 2006 — Brush Engineered Materials Inc. (NYSE:BW) announced today that its Board of Directors has appointed Richard (Dick) Hipple, age 53, as President, Chief Executive Officer and Chairman. Mr. Hipple, who has held the position of President and Chief Operating Officer since May 2005, succeeds Gordon D. Harnett, who has served as Chairman and Chief Executive Officer since January 1991 and President until May 2005.

On February 7, 2006, Brush Engineered Materials announced Mr. Harnett's intention to retire from the Company. As planned, Mr. Harnett stepped down as Chairman and Chief Executive Officer of the Company today at the conclusion its Annual Meeting of Shareholders. He will officially retire from the Company on June 2, 2006.

At its Annual Meeting today, Brush Engineered Materials shareholders elected Mr. Hipple to the Company's Board of Directors, filling the Board seat vacated with the retirement of Mr. Harnett. All Board members except Mr. Hipple are from outside of the Company.

Commenting on the leadership change, John Sherwin, Jr., Lead Director, said, "The Board of Directors has great confidence in Dick Hipple's ability to continue and build on the tremendous progress made at the Company since Gordon Harnett assumed the helm. Today's election completes an orderly succession announced earlier this year and allows us to seamlessly transition to a new generation of leadership. We are excited about opportunities for the future under Dick's leadership and, at the same time, wish to express our appreciation to Gordon for his past contributions to Brush and extend our best wishes upon his retirement."

Mr. Hipple joined Brush Wellman Inc., the largest subsidiary of Brush Engineered Materials, in 2001 as Vice President, Alloy Strip Products. Later he was promoted to President of the Alloy Products group, the largest business unit within Brush Wellman.

Mr. Hipple remarked, "I am honored and excited to have been asked to carry the Company forward. Brush has a proud and accomplished history in the 75 years since its founding. Thanks in part to the legacy being left by Gordon Harnett, I have the opportunity to begin leading the Company at a time when it is experiencing strong growth in revenues and earnings. I also have the benefit of a very strong top management team and the dedication and enthusiasm of Brush employees worldwide. We are off to an impressive start in 2006, and we believe that our strategy of product innovation, geographic expansion, customer service, strategic acquisitions, and a continuous focus on cost and waste reduction will be a long-term winner for Brush Engineered materials."

Before joining the Company, Mr. Hipple served as President of LTV Steel Corporation. In his 26 years with this integrated steel producer, he advanced from a plant project engineer to positions of increased responsibility including strategic planning, supply chain management, operations, sales and marketing, and executive management.

He is a graduate of Drexel University with a Bachelor of Science degree in engineering.

Brush Engineered Materials Inc. is headquartered in Cleveland, Ohio. The Company, through its wholly-owned subsidiaries, supplies worldwide markets with beryllium products, alloy products, electronic products, precious metal products, and engineered material systems.

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