
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 27, 2008

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-15885

BRUSH ENGINEERED MATERIALS INC.

(Exact name of Registrant as specified in charter)

Ohio

(State or other jurisdiction of incorporation or organization)

17876 St. Clair Avenue, Cleveland, Ohio

(Address of principal executive offices)

34-1919973

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

44110

(Zip Code)

Registrant's telephone number, including area code:

216-486-4200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒
No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

As of July 25, 2008 there were 20,404,990 shares of Common Stock, no par value, outstanding.

PART I FINANCIAL INFORMATION

BRUSH ENGINEERED MATERIALS INC. AND SUBSIDIARIES

Item 1. Financial Statements

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The consolidated financial statements of Brush Engineered Materials Inc. and its subsidiaries for the quarter ended June 27, 2008 are as follows:

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**Consolidated Statements of Income
(Unaudited)**

	Second Quarter Ended		First Half Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
<i>(Dollars in thousands except share and per share amounts)</i>				
Net sales	\$ 246,584	\$ 233,563	\$ 472,931	\$ 483,877
Cost of sales	201,736	191,782	391,065	372,712
Gross margin	44,848	41,781	81,866	111,165
Selling, general and administrative expense	28,503	26,564	55,292	55,234
Research and development expense	1,644	1,275	3,141	2,601
Other-net	3,089	1,325	3,850	3,858
Operating profit	11,612	12,617	19,583	49,472
Interest expense — net	649	571	985	1,254
Income before income taxes	10,963	12,046	18,598	48,218
Income taxes	3,805	4,107	6,844	17,165
Net income	\$ 7,158	\$ 7,939	\$ 11,754	\$ 31,053
Per share of common stock: basic	\$ 0.35	\$ 0.39	\$ 0.58	\$ 1.53
Weighted average number of common shares outstanding	20,399,000	20,351,000	20,394,000	20,254,000
Per share of common stock: diluted	\$ 0.35	\$ 0.38	\$ 0.57	\$ 1.50
Weighted average number of common shares outstanding	20,653,000	20,736,000	20,626,000	20,709,000

See notes to consolidated financial statements.

**Consolidated Balance Sheets
(Unaudited)**

	June 27, 2008	Dec. 31, 2007
<i>(Dollars in thousands)</i>		
Assets		
Current assets		
Cash and cash equivalents	\$ 15,163	\$ 31,730
Accounts receivable	120,113	97,424
Other receivables	—	11,263
Inventories	181,089	165,189
Prepaid expenses	19,635	17,723
Prepaid income taxes	956	—
Deferred income taxes	5,979	6,107
Total current assets	342,935	329,436
Other assets	32,781	11,804
Related-party notes receivable	98	98
Long-term deferred income taxes	—	1,139
Property, plant and equipment	614,577	583,961
Less allowances for depreciation, depletion and amortization	414,606	397,786
	199,971	186,175
Goodwill	39,799	21,899
	<u>\$615,584</u>	<u>\$550,551</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	\$ 35,624	\$ 24,903
Current portion of long-term debt	600	600
Accounts payable	34,991	27,066
Other liabilities and accrued items	44,550	55,936
Unearned revenue	504	2,569
Income taxes	—	2,109
Total current liabilities	116,269	113,183
Other long-term liabilities	14,806	11,629
Retirement and post-employment benefits	59,381	57,511
Long-term income taxes	4,327	4,327
Deferred income taxes	553	182
Long-term debt	50,905	10,005
Shareholders' equity	369,343	353,714
	<u>\$615,584</u>	<u>\$550,551</u>

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
(Unaudited)

	First Half Ended	
	June 27, 2008	June 29, 2007
<i>(Dollars in thousands)</i>		
Net income	\$ 11,754	\$ 31,053
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation, depletion and amortization	17,271	11,928
Amortization of deferred financing costs in interest expense	177	215
Derivative financial instrument ineffectiveness	163	(72)
Stock-based compensation expense	2,460	1,932
Changes in assets and liabilities net of acquired assets and liabilities:		
Decrease (increase) in accounts receivable	(15,152)	(27,752)
Decrease (increase) in other receivables	11,263	—
Decrease (increase) in inventory	(9,710)	(12,859)
Decrease (increase) in prepaid and other current assets	(1,455)	(999)
Decrease (increase) in deferred income taxes	14	(3,672)
Increase (decrease) in accounts payable and accrued expenses	(8,166)	2,069
Increase (decrease) in unearned revenue	(2,065)	1,369
Increase (decrease) in interest and taxes payable	(1,144)	7,960
Increase (decrease) in other long-term liabilities	5,461	478
Other — net	(566)	(202)
Net cash provided from operating activities	10,305	11,448
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	(14,637)	(11,156)
Payments for mine development	(152)	(6,195)
Payments for purchase of business net of cash received	(87,462)	—
Proceeds from sales of inventory to consignment	24,325	—
Proceeds from sale of business	—	2,150
Proceeds from sale of property, plant and equipment	—	51
Other investments — net	66	42
Net cash used in investing activities	(77,860)	(15,108)
Cash flows from financing activities:		
Proceeds from issuance of short-term debt	10,414	2,591
Proceeds from issuance of long-term debt	40,900	15,747
Repayment of long-term debt	—	(25,793)
Issuance of common stock under stock option plans	174	4,864
Tax benefit from exercise of stock options	28	2,716
Net cash provided from financing activities	51,516	125
Effects of exchange rate changes	(528)	(35)
Net change in cash and cash equivalents	(16,567)	(3,570)
Cash and cash equivalents at beginning of period	31,730	15,644
Cash and cash equivalents at end of period	\$ 15,163	\$ 12,074

See notes to consolidated financial statements.

**Notes to Consolidated Financial Statements
(Unaudited)**

Note A —Accounting Policies

In management's opinion, the accompanying consolidated financial statements contain all adjustments necessary to present fairly the financial position as of June 27, 2008 and December 31, 2007 and the results of operations for the second quarter and first half ended June 27, 2008 and June 29, 2007. Sales and income before income taxes were reduced in the first quarter 2008 by \$2.6 million to correct a billing error that occurred in 2007 that was not material to the 2007 results. All other adjustments were of a normal and recurring nature.

Note B —Inventories

	June 27, 2008	Dec. 31, 2007
<i>(Dollars in thousands)</i>		
Principally average cost:		
Raw materials and supplies	\$ 37,385	\$ 30,338
Work in process	156,534	156,789
Finished goods	66,110	54,530
Gross inventories	260,029	241,657
Excess of average cost over LIFO inventory value	78,940	76,468
Net inventories	<u>\$181,089</u>	<u>\$165,189</u>

The Company recorded lower of cost or market charges of approximately \$6.0 million in the second quarter 2008 and \$4.0 million in the second quarter 2007.

Note C —Pensions and Other Post-retirement Benefits

	Pension Benefits Second Quarter Ended		Other Benefits Second Quarter Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
<i>(Dollars in thousands)</i>				
Components of net periodic benefit cost				
Service cost	\$ 1,270	\$ 1,161	\$ 76	\$ 75
Interest cost	1,976	1,851	532	477
Expected return on plan assets	(2,180)	(2,156)	—	—
Amortization of prior service cost	(161)	(164)	(9)	(9)
Amortization of net loss	294	436	—	—
Net periodic benefit cost	<u>\$ 1,199</u>	<u>\$ 1,128</u>	<u>\$ 599</u>	<u>\$ 543</u>

	Pension Benefits First Half Ended		Other Benefits First Half Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
<i>(Dollars in thousands)</i>				
Components of net periodic benefit cost				
Service cost	\$ 2,540	\$ 2,314	\$ 152	\$ 150
Interest cost	3,952	3,689	1,063	955
Expected return on plan assets	(4,360)	(4,297)	—	—
Amortization of prior service cost	(322)	(327)	(18)	(18)
Amortization of net loss	589	869	—	—
Net periodic benefit cost	<u>\$ 2,399</u>	<u>\$ 2,248</u>	<u>\$1,197</u>	<u>\$1,087</u>

Note D —Contingencies

Brush Wellman Inc., one of the Company's wholly owned subsidiaries, is a defendant in various legal proceedings where the plaintiffs allege that they have contracted chronic beryllium disease (CBD) or related ailments as a result of exposure to beryllium. Management believes that the Company has substantial defenses and intends to defend these suits vigorously. The Company has recorded a reserve for CBD litigation of \$1.5 million as of June 27, 2008 and \$1.3 million as of December 31, 2007. This reserve covers existing claims only and unasserted claims could give rise to additional losses. Defense costs are expensed as incurred. Final resolution of the asserted claims may be for different amounts than currently reserved. There were no settlement payments made during the first half of 2008 for CBD-related cases.

Under the terms of a settlement reached with certain of the Company's insurance carriers in the fourth quarter 2007, third party beryllium-related claims where the alleged exposure occurred prior to December 31, 2007 are covered by insurance subject to a \$1.0 million annual deductible for a fifteen year period ending in 2022. All of the cases outstanding as of June 27, 2008 are covered by this insurance. Both indemnity and defense costs are covered. Incurred costs were below the deductible in the first half of 2008.

Williams Advanced Materials Inc. (WAM), one of the Company's wholly owned subsidiaries, and a small number of WAM's customers are defendants in a patent infringement legal case. WAM has provided an indemnity agreement to certain of those customers under which WAM will pay any damages awarded by the court. WAM has not made any payments for damages on behalf of any customer nor have they recorded a reserve for losses under these agreements as of June 27, 2008. WAM believes it has strong defenses applicable to both WAM and its customers and is contesting this action. While WAM does not believe that a loss is probable, should their defenses not prevail, the damages to be paid may potentially be material to the Company's results of operations in the period of payment.

The Company has an active environmental compliance program and records reserves for the probable cost of identified environmental remediation projects. The reserves are established based upon analyses conducted by the Company's engineers and outside consultants and are adjusted from time to time based upon ongoing studies and the difference between actual and estimated costs. The reserves may also be affected by rulings and negotiations with regulatory agencies. The undiscounted reserve balance was \$5.1 million as of June 27, 2008 and \$5.2 million as of December 31, 2007. Environmental projects tend to be long term and the final actual remediation costs may differ from the amounts currently recorded.

Note E — Comprehensive Income

The reconciliation between net income and comprehensive income for the second quarter and first half ended June 27, 2008 and June 29, 2007 is as follows:

(Dollars in thousands)	<u>Second Quarter Ended</u>		<u>First Half Ended</u>	
	<u>June 27, 2008</u>	<u>June 29, 2007</u>	<u>June 27, 2008</u>	<u>June 29, 2007</u>
Net income	\$ 7,158	\$ 7,939	\$11,754	\$31,053
Cumulative translation adjustment	(1,033)	(526)	1,731	(232)
Change in the fair value of derivative financial instruments	2,030	(1,256)	(765)	(3,847)
Pension and other retirement plan liability adjustments	123	263	247	524
Comprehensive income	<u>\$ 8,278</u>	<u>\$ 6,420</u>	<u>\$12,967</u>	<u>\$27,498</u>

Note F — Segment Reporting

(Dollars in thousands)	Advanced Material Technologies and Services	Specialty Engineered Alloys	Beryllium and Beryllium Composites	Engineered Material Systems	Subtotal	All Other	Total
Second Quarter 2008							
Revenues from external customers	\$ 125,350	\$ 83,029	\$ 14,711	\$ 19,574	\$242,664	\$ 3,920	\$246,584
Intersegment revenues	1,724	1,125	170	416	3,435	1	3,436
Operating profit (loss)	4,751	4,750	2,346	2,003	13,850	(2,238)	11,612
Second Quarter 2007							
Revenues from external customers	\$ 121,277	\$ 75,546	\$ 16,480	\$ 16,864	\$230,167	\$ 3,396	\$233,563
Intersegment revenues	1,172	(381)	236	675	1,702	12	1,714
Operating profit	4,855	1,390	2,425	726	9,396	3,221	12,617
First Half 2008							
Revenues from external customers	\$ 246,054	\$ 154,326	\$ 28,075	\$ 37,260	\$465,715	\$ 7,216	\$472,931
Intersegment revenues	3,354	3,194	293	751	7,592	8	7,600
Operating profit (loss)	10,077	5,454	2,573	3,365	21,469	(1,886)	19,583
Assets	246,554	255,384	43,981	28,117	574,036	41,548	615,584
First Half 2007							
Revenues from external customers	\$ 264,934	\$ 145,910	\$ 31,658	\$ 33,613	\$476,115	\$ 7,762	\$483,877
Intersegment revenues	2,473	3,068	543	1,465	7,549	12	7,561
Operating profit	36,830	6,692	4,558	1,306	49,386	86	49,472
Assets	187,819	237,841	37,891	27,136	490,687	42,900	533,587

Note G — Stock-based Compensation Expense

The Company granted approximately 50,000 shares of restricted stock to certain employees in the first quarter 2008 at a fair value of \$27.78 per share. The fair value was determined using the closing price of the Company's stock on the grant date and will be amortized over the vesting period of three years. The shares will be forfeited should the holders' employment terminate prior to the vesting period.

The Company granted approximately 32,000 stock appreciation rights (SARs) to certain employees in the first quarter 2008 at a strike price of \$27.78 per share. The fair value of the SARs, which was determined on the grant date using a Black-Scholes model, was \$14.05 per share and will be amortized over the vesting period of three years. The SARs expire ten years from the date of the grant.

The Company implemented a long-term incentive plan for the 2008 to 2010 time period for executive officers and certain other employees in the first quarter 2008. Awards under the plan are based upon the Company's performance during this time period and any payout at the end of the period may vary depending upon the degree to which the actual performance exceeds the pre-determined threshold, target and maximum performance levels. Under the 2008 to 2010 long-term incentive plan, awards earned up to the target level will be settled in shares of the Company's stock. The portion of any awards earned in excess of the target up to the maximum payout will be settled in cash based upon the share price of the Company's stock at the end of the performance period. Compensation expense is based upon the current performance projections for the three-year period, the percentage of requisite service rendered and the market value of the Company's stock on the grant date. The offset to compensation expense is recorded within shareholders' equity. The compensation expense for the portion of any payout in excess of target is based upon the market price of the Company's stock at the end of the period with the offset recorded as a liability.

The Company granted approximately 13,000 shares of restricted stock to its non-employee directors in the second quarter 2008 at a fair value of \$32.19 per share. The fair value was determined using the closing price of the Company's stock on May 7, 2008, the date of the annual meeting of shareholders, and will be amortized over the vesting period of one year.

Total share based compensation expense for the above and previously existing awards and plans was \$1.2 million in the second quarter 2008 and \$1.0 million in the second quarter 2007. For the first half of the year, share based compensation was \$2.5 million in 2008 and \$1.9 million in 2007.

Note H —Income Taxes

The tax expense of \$3.8 million in the second quarter 2008 was calculated by applying a rate of 34.7% against income before income taxes while the tax expense of \$4.1 million in the second quarter 2007 was calculated by applying a rate of 34.1% in that period. For the first six months of the year, a rate of 36.8% was used in 2008 and 35.6% in 2007. The differences between the statutory and effective rates in both quarters and the six month periods were due to a combination of the impact of percentage depletion, foreign source income and deductions, the production deduction, executive compensation and other factors.

In addition to differences in the impact of the above items, the effective rate was lower in the second quarter 2008 than the first quarter 2008 due to discrete events, primarily a deferred tax adjustment in the first quarter. The lower tax rate reduced tax expense and increased net income by approximately \$0.6 million, or \$0.03 per share, in the second quarter 2008.

Note I —Acquisition

On February 4, 2008, the Company acquired the operating assets of Techni-Met, Inc. of Windsor, Connecticut for \$87.4 million in cash. Techni-Met produces precision precious metal coated flexible polymeric films used in a variety of high-end applications, including diabetes diagnostic test strips. Techni-Met sources the majority of its precious metal requirements from the Company's Advanced Material Technologies and Services segment. Techni-Met employs approximately 45 people at its two facilities in the Windsor area.

The Company financed the acquisition with a combination of cash on hand and borrowing under the \$240.0 million revolving credit agreement. The purchase price included \$9.0 million to be held in escrow pending resolution of various matters as detailed in the purchase agreement. Immediately after the purchase, the Company sold Techni-Met's precious metal inventory to a financial institution for its fair value of \$24.3 million and consigned it back under the existing consignment lines.

Techni-Met's results are included in the Company's financial statements since the acquisition date and are reported as part of the Advanced Material Technologies and Services segment. The purchase price allocation is preliminary in that the Company has not yet completed its appraisal of the acquired tangible and intangible assets nor have the acquired deferred taxes been valued. The preliminary goodwill assigned to the transaction totaled \$17.9 million.

Assuming that the Techni-Met acquisition occurred on January 1, 2007, the pro forma effect on selected line items from the Company's Consolidated Statement of Income are as follows:

	Pro Forma Results			
	Second Quarter Ended		First Half Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
<i>(Dollars in thousands, except per share amounts)</i>				
Sales	\$246,584	\$232,494	\$476,738	\$491,058
Income before income taxes	10,963	13,264	20,061	50,197
Net Income	7,158	8,697	12,658	32,284
Diluted earnings per share	\$ 0.35	\$ 0.42	\$ 0.61	\$ 1.56

The pro forma sales in the second quarter 2007 are lower than the reported sales as actual sales from the Company to Techni-Met exceeded Techni-Met's external sales in that period.

Note J —Fair Value of Financial Instruments

The Company adopted FASB Statement No. 157, "Fair Value Measurements" as of January 1, 2008 and no adjustments to the fair values of any assets or liabilities were recorded as a result of the adoption of the statement. The Company currently measures and records in the accompanying consolidated financial statements foreign currency and interest rate derivative contracts at fair value. Statement No. 157 establishes a fair value hierarchy for

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those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 — Quoted market prices in active markets for identical assets and liabilities;

Level 2 — Inputs other than Level 1 inputs that are either directly or indirectly observable; and

Level 3 — Unobservable inputs developed using estimates and assumptions developed by the Company, which reflect those that a market participant would use.

The following table summarizes the financial instruments measured at fair value in the accompanying Consolidated Balance Sheet as of June 27, 2008:

(Dollars in thousands) Description	June 27, 2008	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Foreign currency contracts				
Forward Contracts	\$ 33	\$ —	\$ 33	\$ —
Total	\$ 33	\$ —	\$ 33	\$ —
Financial Liabilities				
Foreign currency contracts				
Forward Contracts	1,466	—	1,466	—
Options	637	—	637	—
Interest rate exchange contracts	334	—	334	—
Total	\$2,437	\$ —	\$ 2,437	\$ —

The Company uses a market approach to value the assets and liabilities for outstanding derivative contracts in the table above. These contracts are valued using a market approach which incorporates quoted market prices at the balance sheet date.

Note K —New Pronouncement

The Financial Accounting Standards Board issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115" in the first quarter 2007. The statement allows entities to value financial instruments and certain other items at fair value. The statement provides guidance over the election of the fair value option, including the timing of the election and specific items eligible for fair value accounting treatment. Changes in fair values would be recognized in earnings. The statement is effective for fiscal years beginning after November 15, 2007. The Company adopted this statement effective January 1, 2008 but did not implement the optional provisions of the statement.

Note L —Subsequent Event

In July 2008, the Company's Board of Directors authorized the repurchase up to 1.0 million shares of the Company's outstanding shares of common stock. The primary purpose of the program is to offset dilution created by shares issued under stock-based compensation plans. The program may be suspended or discontinued at any time.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are an integrated producer of high performance specialty engineered materials used in a variety of electrical, electronic, thermal and structural applications. Our products are sold into numerous markets, including telecommunications and computer, data storage, aerospace and defense, automotive electronics, industrial components, appliance and medical.

Sales in the second quarter 2008 were \$246.6 million compared to \$233.6 million in the second quarter 2007. Sales for the first half of 2008 were \$472.9 million compared to \$483.9 million in the first half of 2007.

Sales in 2008 have increased as a result of the pass-through of higher precious and base metal pricing and the translation impact of the weaker U.S. dollar. Total underlying volumes for both the second quarter and first half of 2008 were below the respective periods of 2007. The decline in sales in the first half of was due to a significant fall-off in shipments of ruthenium-based products for media applications in the data storage market. While we were discouraged by the results of our media-related business, other portions of our business continued to perform well in the second quarter 2008.

The acquisition of Techni-Met, Inc. in February 2008 for \$87.4 million has also provided a benefit to our sales and profitability in the second quarter and first half of 2008. We believe that in the long term Techni-Met provides technology that we can couple with our existing businesses to penetrate additional market opportunities.

Although we recorded a lower of cost or market charge of approximately \$6.0 million during the second quarter 2008 due to the falling market price for ruthenium, gross margin improved \$3.0 million over the second quarter 2007 as a result of Techni-Met, a favorable change in product mix, improved manufacturing performance at various facilities and other factors.

The gross margin improvement, however, was more than offset by an increase in selling, general and administrative costs, higher metal financing fees and foreign currency exchange losses and the resulting operating profit of \$11.6 million in the second quarter 2008 was 8% lower than the operating profit in the second quarter 2007.

Total debt, after increasing in the first quarter 2008 as a result of the Techni-Met acquisition, capital expenditures and other working capital changes, declined \$3.2 million in the second quarter 2008 while cash increased \$2.9 million. Cash flow from operations was positive during the second quarter. The debt-to-debt-plus-equity ratio improved to 19% as of the end of the second quarter and we had significant available borrowing capacity remaining on our existing credit lines.

Results of Operations

	Second Quarter Ended		First Half Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
<i>Millions, except per share data</i>				
Sales	\$246.6	\$233.6	\$472.9	\$483.9
Operating profit	11.6	12.6	19.6	49.5
Income before income taxes	11.0	12.0	18.6	48.2
Net income	7.2	7.9	11.8	31.1
Diluted earnings per share	\$ 0.35	\$ 0.38	\$ 0.57	\$ 1.50

Sales of \$246.6 million in the second quarter 2008 were 6% higher than sales of \$233.6 million in the second quarter 2007. For the first six months of the year, sales of \$472.9 million in 2008 were 2% lower than sales of \$483.9 million in 2007.

We use ruthenium, gold, silver, platinum, palladium and copper in the manufacture of various products. Our sales are affected by the prices for these metals, as changes in our purchase price are passed on to our customers in the form of higher or lower selling prices. Average ruthenium prices were lower in the second quarter and first half of 2008 than in the same periods in 2007 while the average prices of copper and various precious metals were higher.

Changes in the prices for these metals resulted in a net estimated \$23.4 million increase in sales in the second quarter 2008 as compared to the second quarter 2007 and a \$43.1 million increase in sales the first half of 2008 as compared to the first half of 2007.

Sales in the second quarter 2008 were lower than the second quarter 2007 after adjusting for the metal price differential between periods. This decline, as well as the decline in sales in the first six months of 2008, was largely due to softer shipments of ruthenium-based products for media applications in the data storage market. Shipments of our products to this market, which were very strong in the first half of 2007, were weak throughout the first half of 2008. The ruthenium products' sales value was also lower in 2008 than 2007 due to a higher percentage of product sold being manufactured from customer supplied metal rather than metal that we owned. Volumes of ruthenium products shipped in the second quarter 2008 were higher than the volumes shipped in the first quarter 2008, but the quantity was below each quarter in 2007.

Demand from a number of our other markets was solid in the second quarter and first half of 2008 and sales from portions of our businesses were higher than the year-ago period, offsetting a portion of the decline in sales to the media market. Sales in 2008 also benefited from the acquisition of Techni-Met during the first quarter 2008 while the development of new products continued to offer additional growth opportunities.

Total international sales were \$89.1 million in the second quarter 2008 compared to \$98.4 million in the second quarter 2007 while international sales in the first half of 2008 of \$165.7 million were 23% lower than the first half of last year. This decline is mainly due to the lower sales of ruthenium-based products into Asia. European sales increased 14% in the first half of 2008. International sales were 35% of sales in the first half of 2008 and 44% of sales in the first half of 2007. The effect of translating foreign currency denominated sales was a favorable \$3.0 million in the second quarter 2008 as compared to the second quarter 2007 and \$5.7 million in the first half of 2008 compared to the first half of 2007. While international sales declined, domestic sales increased 16% over the second quarter 2007 and 14% in the first half of 2008.

In the first quarter 2008, we reduced sales and accounts receivable by \$2.6 million in order to correct an error from 2007. The error was discovered late in the first quarter 2008 and resulted from inaccurate billings to one customer during the second half of 2007. We determined that the error was not material in accordance with SAB 99 and APB No. 28 and therefore the 2007 financial statements were not adjusted. Correction of the error also reduced the gross margin by \$2.6 million in the first quarter 2008.

Gross margin was \$44.8 million, or 18% of sales, in the second quarter 2008 compared to \$41.8 million, or 18% of sales, in the second quarter 2007. For the first half of the year, gross margin was \$81.9 million, or 17% of sales, in 2008 and \$111.2 million, or 23% of sales, in 2007.

The acquisition of Techni-Met had a positive impact on the gross margin in both the second quarter and first half of 2008. The change in product mix improved in the second quarter 2008 after being unfavorable in the first quarter 2008. Yield and performance improvements offset a portion of the unfavorable mix effect during the first half of the year. Margins were reduced as a result of lower underlying volumes in both the second quarter and first half of 2008 as compared to the same periods in 2007. Manufacturing overhead costs, excluding the incremental costs incurred by Techni-Met, were relatively flat for both the quarter and year-to-date periods.

In addition to the volume impact, margins were \$1.6 million lower in the second quarter 2008 than the second quarter 2007 and \$18.5 million lower in the first half of 2008 than the first half of 2007 as a result of a combination of factors associated with the ruthenium business as described below.

Due to the rapidly declining market price for ruthenium, we recorded a lower of cost or market charge of approximately \$6.0 million in the second quarter 2008. Despite the strong end-use demand for ruthenium-containing products primarily for the hard disk drive applications, ruthenium inventories throughout the supply chain were high in the first half of 2008. With long lead times, especially in refining operations, and the rush to convert to the perpendicular magnetic recording technology, large inventory positions were built up in 2007. Through the end of the second quarter 2008, rather than purchasing virgin material, customers generally have been working off their inventory positions and are returning their refined and recycled materials to fabricators such as us to manufacture into new targets on a toll basis for them. With limited open-market purchases and softer demand for

virgin material, the quoted market price for ruthenium dropped throughout the second quarter and was below our carrying cost for a significant portion of our inventory, resulting in the charge.

The gross margin in 2007 was affected by both rapidly increasing and decreasing prices for ruthenium. The price of ruthenium escalated in the second half of 2006 and was significantly higher than the carrying cost of the inventory as of December 31, 2006. Sales of this existing lower cost inventory at the current market prices and other inventory transactions increased total gross margins by \$4.5 million in the second quarter 2007 and \$21.4 million in the first half of 2007. We subsequently changed our pricing practices so that the purchase price of ruthenium forms the basis for our selling price so this benefit did not occur in 2008. The ruthenium selling price declined toward the end of the second quarter 2007 from the high levels earlier in the year and as a result we recorded a lower of cost or market charge of \$4.0 million in that period. Gross margin was also adversely affected by \$4.9 million in the second quarter 2007 by a manufacturing quality issue in the production of ruthenium targets that resulted in customer returns, additional costs and inventory losses.

Selling, general and administrative expenses (SG&A) of \$28.5 million in the second quarter 2008 were \$1.9 million, or 7%, higher than expenses of \$26.6 million in the second quarter 2007. SG&A expenses totaled \$55.3 million in the first half of 2008 compared to \$55.2 million in the first half of 2007. SG&A expenses were 12% of sales in the first half of 2008 and 11% in the first half of 2007.

Incentive compensation expense was \$0.4 million higher in the second quarter 2008 than the second quarter 2007 but \$3.3 million lower in the first six months of 2008 than the first six months of 2007 due to the lower levels of profitability in the current year relative to the plan targets as well as the impact of the lower share price of our stock on plan payouts.

Techni-Met incurred \$1.0 million of expenses in the second quarter 2008 and \$1.5 million of expenses since its acquisition in the first quarter 2008.

The currency effect of translating the expenses incurred by our foreign operations was an unfavorable \$0.7 million due to the weaker U.S. dollar in the second quarter 2008 and \$1.3 million in the first six months of 2008 as compared to the same periods in 2007.

Various corporate costs were higher in the second quarter and first half of 2008 but were somewhat offset by lower costs among the business units.

Research and development expenses (R&D) totaled \$1.6 million in the second quarter 2008 and \$1.3 million in the second quarter 2007. For the first half of the year, R&D expenses were \$3.1 million in 2008 and \$2.6 million in 2007. R&D spending increased slightly in 2008 as a result of increased process and product improvement efforts.

Other-net expense for the second quarter and first half of 2008 and 2007 is summarized as follows:

	Income (expense)			
	Second Quarter Ended		First Half Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
<i>Millions</i>				
Exchange losses	\$ (1.6)	\$ (0.5)	\$ (1.3)	\$ (0.8)
Directors' deferred compensation	0.1	0.5	0.6	(0.5)
Derivative ineffectiveness	—	0.1	(0.2)	0.1
Metal financing fee	(1.2)	(0.4)	(2.0)	(1.0)
Loss on sale of business	—	—	—	(0.3)
Other items	(0.4)	(1.0)	(1.0)	(1.4)
Total	\$ (3.1)	\$ (1.3)	\$ (3.9)	\$ (3.9)

Exchange and translation gains and losses are a function of the movement in the value of the U.S. dollar versus certain other currencies and in relation to the strike prices in currency hedge contracts. A weaker U.S. dollar generally results in exchange and translation losses for us.

Derivative ineffectiveness results from the changes in the fair value of an interest rate swap that does not qualify for hedge accounting treatment. The \$0.2 million expense in 2008 resulted from the swap's fixed rate being higher than the applicable prevailing interest rates.

The income or expense on the directors' deferred compensation plan is a function of the outstanding shares in the plan and the movement in the share price of our stock. Income of \$0.6 million was recorded in the first half of 2008 as a result of a decline in the stock price.

The metal financing fee was higher in the second quarter 2008 and first half of 2008 than the comparable periods in 2007. The financing fee increased due to the higher quantity on hand and higher precious metal prices.

In the first quarter 2007, we sold substantially all of the operating assets and liabilities of Circuits Processing Technology, Inc. (CPT), a wholly owned subsidiary that manufactures thick film circuits, for \$2.2 million. CPT, which was acquired in 1996, was a small operation with limited growth opportunities. The loss on the sale was \$0.3 million.

Net-other also includes the amortization of intangible assets, bad debt expense, gains and losses on the disposal of fixed assets, cash discounts and other non-operating items.

Operating profit was \$11.6 million in the second quarter 2008 compared to \$12.6 million in the second quarter 2007. For the first six months of the year, operating profit was \$19.6 million in 2008 and \$49.5 million in 2007. The lower profit resulted from the margin impact of the lower underlying sales volume, the change in ruthenium pricing practices, the lower of cost or market charge and other factors affecting gross margins.

Interest expense — net was \$0.6 million in both the second quarter 2008 and the second quarter 2007. For the first half of 2008, interest expense was \$1.0 million, a decrease of \$0.3 million from the first half of 2007. Outstanding debt levels were below the first half 2007 average at the beginning of 2008 but then increased during the first quarter due to the Techni-Met acquisition and other factors. The impact of the higher debt was offset in part by a lower effective borrowing rate in 2008 while interest capitalized in association with long-term capital projects was \$0.1 million higher in the first half of 2008 than it was in the first half of 2007.

Income before income taxes was \$11.0 million in the second quarter 2008 versus \$12.0 million in the second quarter 2007. For the first half of the year, income before income taxes declined from \$48.2 million in 2007 to \$18.6 million in 2008.

Tax expense was calculated using an effective rate of 34.7% of income before income taxes in the second quarter 2008 and 34.1% of income before income taxes in the second quarter 2007. The effective tax rate for the first six months of 2008 was 36.8% compared to 35.6% in the first six months of 2007.

The effects of percentage depletion, foreign source income and deductions, executive compensation, the production deduction and other factors were the major factors for the difference between the effective and statutory rates in both the first six months of 2008 and 2007. The effective tax rate was lower in the second quarter 2008 than the first quarter 2008 partially due to the impact of discrete events recorded in the first quarter. This lower tax rate improved net income by \$0.6 million, or \$0.03 per share in the second quarter 2008 as compared to the first quarter 2008. See Note H to the Consolidated Financial Statements.

Net income was \$7.2 million in the second quarter 2008 compared to \$7.9 million in the second quarter 2007. For the first half of the year, net income was \$11.8 million in 2008 and \$31.1 million in 2007. Diluted earnings per share were \$0.35 in the second quarter 2008 and \$0.38 in the second quarter 2007. June year-to-date diluted earnings per share were \$0.57 in 2008 and \$1.50 in 2007.

Segment Results

We have four reporting segments. The results from the corporate office and Zentrix Technologies Inc. are included in the All Other column of our segment reporting. See Note F to the Consolidated Financial Statements. The operating results for All Other declined \$2.0 million in the first half of 2008 from the first half of 2007 largely due to higher corporate costs, lower corporate charges out to the segments and other factors offset in part by lower incentive compensation expense.

Advanced Material Technologies and Services

	Second Quarter Ended		First Half Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
<i>Millions</i>				
Sales	\$125.4	\$121.3	\$246.1	\$264.9
Operating profit	\$ 4.8	\$ 4.9	\$ 10.1	\$ 36.8

Advanced Material Technologies and Services manufactures precious, non-precious and specialty metal products, including vapor deposition targets, frame lid assemblies, clad and precious metal preforms, high temperature braze materials, ultra-fine wire, specialty inorganic materials and precision precious metal coated films. Major markets for these products include data storage, medical and the wireless, semiconductor, photonic and hybrid sectors of the microelectronics market. Advanced Material Technologies and Services also has metal cleaning operations and an in-house refinery that allows for the reclaim of precious metals from its own or customers' scrap. Due to the high cost of precious metal products, we emphasize quality, delivery performance and customer service in order to attract and maintain applications. This segment has domestic facilities in New York, California, Wisconsin and Connecticut and international facilities in Asia and Europe.

Sales from Advanced Material Technologies and Services were \$125.4 million in the second quarter 2008, an increase of \$4.1 million, or 3%, over the second quarter 2007. Sales from this segment totaled \$246.1 million in the first half of 2008 compared to \$264.9 million in the first half of 2007.

Sales for media applications in the data storage market, primarily ruthenium targets manufactured at the Brewster, New York facility, declined approximately \$22.7 million in the second quarter 2008 and \$79.7 million in the first half of 2008 from the comparable periods a year ago excluding the impact of changes in ruthenium prices. Media application demand was very strong in the first half of 2007 as customers were ramping up on ruthenium-based products for the conversion to the new perpendicular magnetic recording technology. While the overall market demand has remained strong, our shipments to this market were soft throughout the first half of 2008. Re-qualification work on ruthenium targets after a specification change at a major customer in the fourth quarter 2007 continued during the first half of 2008. Our marketing and engineering staffs are also working on developing and qualifying new products and applications, including oxide and soft underlayer coatings for disk drives, with existing and new customers within this market. The number of targets shipped in the second quarter 2008 improved over the first quarter 2008.

As noted previously, in the first half of 2008, we were generally manufacturing ruthenium targets on a toll basis using customer supplied material as opposed to manufacturing products using virgin material purchased by us or material from our recycle stream. Of the \$79.7 million decline in media application sales, an estimated \$22.5 million (or 28%) is due to this shift and not from a decline in the underlying business.

Higher metal prices, growth in sales to other markets and the Techni-Met acquisition helped to offset a portion of the decline in sales to the media market in both the second quarter and first half of 2008.

Advanced Material Technologies and Services adjusts the majority of its selling prices daily to reflect the current cost of the precious and certain other metals that are sold. The cost of the metal is generally a pass-through to the customer and a margin is generated on the fabrication efforts irrespective of the type or cost of the metal used in a given application. Therefore, the cost and mix of metals sold will affect sales but not necessarily the margins generated by those sales. The prices of gold, silver, platinum and palladium were higher on average in the first half of 2008 than in the first half 2007 while the price of ruthenium was lower. The combination of these price differences increased sales by \$19.6 million in the second quarter 2008 over the second quarter 2007 and \$37.9 million in the first six months of 2008 over the first six months of 2007.

Sales of vapor deposition targets and other products manufactured at the Buffalo, New York facility for photonics and wireless applications increased in the second quarter and first half of 2008 over the comparable periods in 2007 due to both volumes and higher metal prices. Sales of materials for LED applications continued to improve as well. Sales from Thin Film Technology, Inc., which produces lids for defense and medical applications, increased in the second quarter and first half of 2008 and the new sales order entry rate for these products was very

strong. Sales of inorganic chemicals from CERAC, which are used in optics, solar energy and other applications, also were higher in the first two quarters of 2008 than the first two quarters of 2007.

The acquisition of Techni-Met provided a small increase to the total segment sales in 2008 as Techni-Met sources its precious metals through the Buffalo facility so the net increase in sales is limited to the value added by Techni-Met over the sales value from Buffalo. Techni-Met produces precision precious metal coated polymeric films used primarily in medical applications. The operation also contributed to the segment's profitability in the second quarter and first six months of 2008.

The gross margin on Advanced Material Technologies and Services' sales was \$16.4 million in the second quarter 2008 compared to \$15.9 million in the second quarter 2007. Gross margin was 13% of sales in both periods. For the first half of the year, gross margin was \$32.6 million (13% of sales) in 2008 and \$57.9 million (22% of sales) in 2007.

The segment gross margin was reduced by the lower of cost or market charge on ruthenium inventories in the second quarter 2008 as discussed previously. The previously discussed ruthenium benefit, quality charge and lower of cost or market charge from 2007 also affected the gross margins of this segment.

The lower volume reduced margins in both the second quarter and first half of 2008 compared to the respective periods in 2007. The change in product mix has been favorable in 2008, more so in the second quarter than the first quarter. Techni-Met also had a greater impact on margins in the second quarter 2008 than the first quarter. The \$2.6 million error correction in the first quarter 2008 reduced the year-to-date gross margin of this segment. Manufacturing overhead costs increased \$2.6 million in the second quarter and \$5.1 million in the first half of 2008 compared to the same periods of last year. The primary causes for the increase include the acquisition of Techni-Met, the new facility in the Czech Republic, the expansion of the Brewster and Wheatfield, New York facilities and other factors.

Total SG&A, R&D and other-net expenses were \$11.7 million in the second quarter 2008 and \$11.0 million in the second quarter 2007. Expenses were 9% of sales in both periods. These expenses totaled \$22.5 million in the first half of 2008 (9% of sales), an increase of \$1.5 million over expenses of \$21.0 million (8% of sales) in the first half of 2007.

Expenses incurred by Techni-Met since its acquisition, higher metal consignment fees, additional R&D activities and the unfavorable translation effect on foreign subsidiaries' expenses partially offset by lower incentive compensation accruals were the main causes for the higher expense in the second quarter and first half of 2008.

Operating profit from Advanced Material Technologies and Services was \$4.8 million in the second quarter 2008 compared to \$4.9 million in the second quarter 2007. For the first half of the year, operating profit was \$10.1 million in 2008 and \$36.8 million in 2007. Operating profit was 4% of sales in the first half of 2008 and 14% of sales in the first half of 2007. The decline in segment profitability was due to the significant fall-off in the ruthenium business, including the impact of price movements and inventory adjustments, offset in part by improvements in other portions of the business and the acquisition of Techni-Met.

Specialty Engineered Alloys

	<u>Second Quarter Ended</u>		<u>First Half Ended</u>	
	<u>June 27,</u>	<u>June 29,</u>	<u>June 27,</u>	<u>June 29,</u>
<i>Millions</i>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Sales	\$83.0	\$75.5	\$154.3	\$145.9
Operating profit	\$ 4.8	\$ 1.4	\$ 5.5	\$ 6.7

Specialty Engineered Alloys manufactures and sells three main product families:

Strip products, the larger of the product families, include thin gauge precision strip and small diameter rod and wire. These copper and nickel beryllium alloys provide a combination of high strength, high conductivity, high reliability and formability for use as connectors, contacts, switches, relays and shielding. Major markets for strip products include telecommunications and computer, automotive electronics and appliances;

Bulk products are copper and nickel-based alloys manufactured in plate, rod, bar, tube and other customized forms that, depending upon the application, may provide superior strength, corrosion or wear resistance or thermal conductivity. The majority of bulk products contain beryllium. Applications for bulk products include plastic mold tooling, bearings, bushings, welding rods, oil and gas drilling components and telecommunications housing equipment; and,

Beryllium hydroxide is produced by Brush Resources Inc., a wholly owned subsidiary, at its milling operations in Utah from its bertrandite mine and purchased beryl ore. The hydroxide is used primarily as a raw material input for strip and bulk products as well as by the Beryllium and Beryllium Composites segment. External sales of hydroxide from the Utah operations totaled \$3.3 million in the second quarter 2008 and \$2.5 million in the second quarter 2007. There were no sales of hydroxide in the first quarter of either year.

Strip and bulk products are manufactured at facilities in Ohio and Pennsylvania and are distributed worldwide through a network of company-owned service centers and outside distributors and agents.

Sales by Specialty Engineered Alloys of \$83.0 million in the second quarter 2008 grew 10% over sales of \$75.5 million in the second quarter 2007. Sales in the first half of 2008 of \$154.3 million were a 6% improvement over sales of \$145.9 million in the first half of 2007.

The pass-through of the higher base metal prices and the favorable translation effect on the foreign subsidiaries' sales contributed to the increased sales in the second quarter 2008. These factors more than offset a slight decline in volumes in the first half of 2008 as compared to the first half of 2007.

Strip volumes shipped in the second quarter 2008 were 9% lower than the second quarter 2007 while the volumes shipped in the first half of 2008 were 11% lower than the year ago period. Shipments of lower beryllium-containing alloy products were down more significantly than shipments of the higher beryllium-containing products. Shipments of rod and wire products improved in the second quarter after declining in the first quarter. Demand for materials for handset applications, which began to soften after the first quarter last year, flattened out in the second quarter 2008 while the year-to-date demand was below the comparable period in 2007. Sales for appliance applications increased in the second quarter over the first quarter 2008 while automotive electronic applications continued to be solid in the second quarter 2008.

Bulk product volumes shipped increased 13% in the second quarter 2008 over the second quarter 2007 and 12% in the first half of 2008 over the first half of 2007 due to strong demand from oil and gas, heavy equipment and undersea telecommunications applications. Shipments for aerospace applications, which had been stronger in the first quarter 2008, began to soften in the second quarter.

The gross margin on Specialty Engineered Alloys' sales was \$19.4 million in the second quarter 2008 compared to \$14.8 million in the second quarter 2007. Gross margin improved from 20% of sales in the second quarter 2007 to 23% of sales in the second quarter 2008. For the first half of the year, the gross margin was \$33.0 million, or 21% of sales, in 2008 and \$33.6 million, or 23% of sales, in 2007.

The growth in the gross margin in the second quarter 2008 over the second quarter 2007 was due to a favorable change in product mix, foreign currency benefits, improved yields and operating performance, the benefits from the higher hydroxide sales and lower manufacturing overhead costs offset partially by the impact of lower underlying volumes.

The gross margin declined slightly in the first half of 2008 compared to the first half of 2007 as the lower volume had a larger impact and the change in product mix was not as favorable as it was in the second quarter.

Total SG&A, R&D and other-net expenses were \$14.6 million in the second quarter 2008, an increase of \$1.2 million from expenses totaling \$13.4 million in the second quarter 2007. For the first half of the year, expenses were \$27.5 million in 2008 compared to \$26.9 million in 2007; expenses were 18% of sales in both of these periods. The expense increase in the quarter and year-to-date period was largely due to higher incentive accruals (resulting from the improved performance relative to the plan provisions), the unfavorable translation impact on the foreign operations' expenses and higher foreign currency exchange losses partially offset by lower corporate charges and international selling expenses.

The operating profit generated by Specialty Engineered Alloys totaled \$4.8 million in the second quarter 2008, a \$3.4 million improvement over the operating profit of \$1.4 million in the second quarter 2007. For the first half of the year, operating profit was \$5.5 million, or 4% of sales in 2008 compared to \$6.7 million, or 5% of sales, in 2007.

Beryllium and Beryllium Composites

<i>Millions</i>	Second Quarter Ended		First Half Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
Sales	\$14.7	\$16.5	\$28.1	\$31.7
Operating profit	\$ 2.3	\$ 2.4	\$ 2.6	\$ 4.6

Beryllium and Beryllium Composites manufactures beryllium-based metals and metal matrix composites in rod, tube, sheet, foil and a variety of customized forms at the Elmore, Ohio and Fremont, California facilities. These materials are used in applications that require high stiffness and/or low density and they tend to be premium priced due to their unique combination of properties. This segment also manufactures beryllia ceramics through our wholly owned subsidiary Brush Ceramic Products in Tucson, Arizona. Defense and government-related applications, including aerospace, is the largest market for Beryllium and Beryllium Composites, while other markets served include medical, telecommunications and computer, electronics (including acoustics), optical scanning and automotive electronics.

Sales by Beryllium and Beryllium Composites totaled \$14.7 million in the second quarter 2008 versus \$16.5 million in the second quarter 2007. For the first six months of the year, sales declined from \$31.7 million in 2007 to \$28.1 million in 2008.

The decline in sales in the second quarter and first half of the year was due in part to the completion of shipments in prior periods for two large stand-alone projects, the JET nuclear fusion reactor and the Webb telescope. Sales for these two projects totaled \$1.2 million in the second quarter 2007 and \$1.8 million in the first half of 2007.

Defense-related sales, which softened in the first quarter 2008 due to specific program delays, began to strengthen in the second quarter 2008. Sales order entry rates as well as quoting activity have improved and we anticipate that defense-related sales will grow in the second half of 2008.

Sales for medical and industrial x-ray window applications were lower in the first half of 2008 as compared to a strong first half of 2007, partially due to customers' inventory positions. We anticipate that sales of these products will show modest growth in future periods.

Sales of beryllia ceramics in the second quarter 2008 were flat with the second quarter 2007 and down 4% for the first half of 2008.

The gross margin on Beryllium and Beryllium Composites' sales was \$5.1 million, or 35% of sales, in the second quarter 2008 and \$5.9 million, or 36% of sales, in the second quarter 2007. The gross margin for the first half of 2008 was \$8.4 million, or 30% of sales, compared to a gross margin of \$10.9 million, or 34% of sales, in the first half of 2007.

The majority of the difference in margins between the second quarter and first half of 2008 and the respective periods in 2007 was due to the lower sales volume. Improved plant performance and scrap recovery efforts helped to offset a portion of the unfavorable volume effect. An increase in manufacturing overhead costs also contributed to the lower margins in the second quarter and first half of 2008.

SG&A, R&D and other-net expenses for Beryllium and Beryllium Composites were \$2.8 million in the second quarter 2008 and \$3.5 million in the second quarter 2007. For the first half of the year, these expenses totaled \$5.8 million, or 21% of sales, in 2008 and \$6.4 million, or 20% of sales, in 2007.

Incentive compensation, foreign currency exchange losses and corporate charges were lower in the second quarter and first half of 2008 than the respective periods in 2007.

Selling expenses, including manpower and product samples, were higher in the first half of 2008 than the first half of 2007.

Operating profit for Beryllium and Beryllium Composites was \$2.3 million in the second quarter 2008, a slight decline from the operating profit of \$2.4 million generated in the second quarter 2007. Operating profit was \$2.6 million in the first half of 2008, a decrease of \$2.0 million from the first half of 2007. Operating profit was 9% of sales in the first half of 2008 and 14% of sales in the first half of 2007.

Engineered Material Systems

	Second Quarter Ended		First Half Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
<i>Millions</i>				
Sales	\$19.6	\$16.9	\$37.3	\$33.6
Operating profit	\$ 2.0	\$ 0.7	\$ 3.4	\$ 1.3

Engineered Material Systems includes clad inlay and overlay metals, precious and base metal electroplated systems, electron beam welded systems, contour profiled systems and solder-coated metal systems. These specialty strip metal products provide a variety of thermal, electrical or mechanical properties from a surface area or particular section of the material. Our cladding and plating capabilities allow for a precious metal or brazing alloy to be applied to a base metal only where it is needed, reducing the material cost to the customer as well as providing design flexibility. Major applications for these products include connectors, contacts and semiconductors. The largest markets for Engineered Material Systems are automotive electronics, telecommunications and computer electronics and data storage, while the energy, defense and medical electronic markets offer further growth opportunities. Engineered Material Systems are manufactured at our Lincoln, Rhode Island facility.

Sales from Engineered Material Systems totaled \$19.6 million in the second quarter 2008, an increase of 16% over sales of \$16.9 million in the second quarter 2007. Sales for the first six months of 2008 of \$37.3 million were 11% higher than sales from the comparable period in 2007.

The increase in sales in the second quarter and first six months of 2008 was partially due to higher shipments of materials for disk drive applications as compared to the same periods in 2007. While disk drive material sales in the first and second quarter 2008 were softer than the fourth quarter 2007 level, partially due to seasonality, order entry rates strengthened in the second quarter and we anticipate sales of these materials will increase in the third quarter.

Sales of new products to the energy market also contributed to the sales growth in the second quarter and first six months of 2008 while sales for automotive applications remained solid, particularly in Europe.

The gross margin on Engineered Material Systems' sales was \$4.0 million, or 21% of sales, in the second quarter 2008 and \$2.8 million, or 17% of sales, in the second quarter 2007. For the first six months of the year, gross margin improved to \$7.4 million, or 20% of sales, in 2008 from \$5.4 million, or 16% of sales, in 2007.

The higher margin in the second quarter and first half of 2008 resulted largely from manufacturing improvements. These improvements are partially due to the recent implementation of a new high technology manufacturing center in the Lincoln facility, which has resulted in yield and efficiency gains. Performance improvements have also been achieved in other portions of the facility, including plating operations. The change in product mix between years has been slightly favorable while the higher sales volume contributed to the improved margins as well, more so in the second quarter 2008 than the first quarter 2008. Manufacturing overhead costs in the first six months of 2008 were 4% lower than the first six months of 2007.

Total SG&A, R&D and other-net expenses were \$2.0 million in the second quarter 2008, a 4% decline from the second quarter 2007. Expenses totaling \$4.0 million in the first six months of 2008 were 2% lower than expenses in the same period a year ago.

Operating profit from Engineered Material Systems was \$2.0 million in the second quarter 2008 compared to \$0.7 million in the second quarter 2007. Operating profit of \$3.4 million in the first half of 2008 was a \$2.1 million improvement over the operating profit of \$1.3 million in the first half of 2007. Operating profit also improved from 4% of sales in the first half of 2007 to 9% in the first half of 2008.

Legal

One of our subsidiaries, Brush Wellman Inc., is a defendant in proceedings in various state and federal courts brought by plaintiffs alleging that they have contracted chronic beryllium disease or other claims as a result of exposure to beryllium. Plaintiffs in beryllium cases seek recovery under negligence and various other legal theories and seek compensatory and punitive damages, in many cases of an unspecified sum. Spouses, if any, claim loss of consortium.

The following table summarizes the associated activity with beryllium cases.

	Quarter Ended June 27, 2008	Quarter Ended Mar. 28, 2008
Total cases pending	8	9
Total plaintiffs	30	31
Number of claims (plaintiffs) filed during period ended	0(0)	0(0)
Number of claims (plaintiffs) settled during period ended	0(0)	0(0)
Aggregate cost of settlements during period ended (dollars in thousands)	\$ 0	\$ 0
Number of claims (plaintiffs) otherwise dismissed	1(1)	0(0)

Settlement payment and dismissal for a single case may not occur in the same period.

Additional beryllium claims may arise. Management believes that we have substantial defenses in these cases and intends to contest the suits vigorously. Employee cases, in which plaintiffs have a high burden of proof, have historically involved relatively small losses to us. Third-party plaintiffs (typically employees of customers or contractors) face a lower burden of proof than do employees or former employees, but these cases are generally covered by varying levels of insurance.

Although it is not possible to predict the outcome of the litigation pending against our subsidiaries and us, we provide for costs related to these matters when a loss is probable and the amount is reasonably estimable. Litigation is subject to many uncertainties, and it is possible that some of these actions could be decided unfavorably in amounts exceeding our reserves. An unfavorable outcome or settlement of a pending beryllium case or additional adverse media coverage could encourage the commencement of additional similar litigation. We are unable to estimate our potential exposure to unasserted claims.

Based upon currently known facts and assuming collectibility of insurance, we do not believe that resolution of the current and future beryllium proceedings will have a material adverse effect on our financial condition or cash flow. However, our results of operations could be materially affected by unfavorable results in one or more of these cases. As of June 27, 2008, two purported class actions were pending.

The balances recorded on the Consolidated Balance Sheets associated with beryllium litigation were as follows:

<i>Millions</i>	June 27, 2008	Dec. 31, 2007
Asset (liability)		
Reserve for litigation	\$ (1.5)	\$ (1.3)
Insurance recoverable	1.2	1.0

Regulatory Matters. Standards for exposure to beryllium are under review by the United States Occupational Safety and Health Administration and by other governmental and private standard-setting organizations. One result of these reviews will likely be more stringent worker safety standards. More stringent standards may affect buying decisions by the users of beryllium-containing products. If the standards are made more stringent and our customers decide to reduce their use of beryllium-containing products, our operating results, liquidity and capital resources would likely be materially adversely affected. The impact of this potential adverse effect would depend on the nature and extent of the changes to the standards, the cost and ability to meet the new standards, the extent of the reduction in customer use and other factors. The magnitude of this potential adverse effect cannot be estimated.

Financial Position

Net cash provided from operating activities was \$10.3 million in the first half of 2008 as net income, the benefits of depreciation and amortization and other factors more than offset unfavorable changes in various working capital items, including increases to accounts receivable and inventory and payment of the 2007 incentive compensation to employees. Cash from operations improved in the second quarter 2008 over the first quarter 2008. Cash from operations was \$13.4 million in the second quarter 2008 while \$3.1 million of cash was used in operations in the first quarter 2008.

Cash balances stood at \$15.2 million at the end of the second quarter 2008, a decline of \$16.6 million from year-end 2007, as a portion of the cash on hand, the cash from operations and additional borrowings were used to acquire Techni-Met and to finance capital expenditures.

Accounts receivable increased \$22.7 million, from \$97.4 million at the end of 2007 to \$120.1 million at the end of the second quarter 2008. This increase was due to a combination of higher sales in the second quarter 2008 than the fourth quarter 2007 and an increase in the average collection period. A portion of the increase was due to the acquisition of Techni-Met in the first quarter 2008. Accounts written off to bad debt expense and adjustments to the bad debt allowance were immaterial in the first half of 2008.

Other receivables totaling \$11.3 million as of December 31, 2007, which represented amounts due from our insurance carriers under the litigation settlement agreement signed in the fourth quarter 2007, were collected in full during the first quarter 2008.

Inventories were \$181.1 million, an increase of \$15.9 million, or 10%, during the first six months of 2008. The inventory turnover ratio, a measure of how quickly inventory is sold on average, as of the end of the second quarter declined from the end of last year but improved slightly from the end of the first quarter 2008. Approximately \$2.1 million of the increase was due to the Techni-Met acquisition. Inventories at various other domestic and international locations within the Advanced Material Technologies and Services segment increased to support the current and projected higher level of business. Inventories at Brush Resources increased \$2.3 million during the first six months of 2008 due to the opening of a new pit and increased bertrandite ore mining activity. Specialty Engineered Alloys' inventory pounds were up 5% in the first half of 2008 in part due to longer production lead times for bulk products.

The \$15.9 million increase in inventory was net of the lower of cost or market adjustment on ruthenium inventories in the second quarter 2008.

We use the last in, first out (LIFO) method for valuing a large portion of our domestic inventories. By so doing, the most recent cost of various raw materials, including gold, copper and nickel, is charged to cost of sales in the current period. The older, and typically lower, costs are used to value the inventory on hand. Therefore, current changes in the cost of raw materials subject to the LIFO valuation method have only a minimal impact on changes in the inventory carrying value.

Prepaid expenses were \$19.6 million as of the end of the second quarter 2008, an increase of \$1.9 million from year-end 2007. The change in the balance was due to the timing of payments for manufacturing supplies, miscellaneous taxes and other items.

Other assets of \$32.8 million at the end of the second quarter 2008 were \$21.0 million higher than at the end of 2007. The increase is primarily from the estimated value of the intangible assets acquired with Techni-Met. The intangible asset values are subject to change pending a final appraisal.

Capital expenditures for property, plant and equipment and mine development totaled \$14.8 million in the first half of 2008, which was below the total depreciation and amortization level for the period. Spending in the second quarter 2008 was slightly higher than spending in the first quarter 2008.

Spending in the first six months of 2008 included \$4.1 million for the design and development of the new facility for the production of primary beryllium under a Title III contract with the U.S. Department of Defense (DOD). The total cost of the project is estimated to be approximately \$90.4 million; we will contribute land, buildings, research and development, technology and ongoing operations valued at approximately \$23.2 million to

the project. The DOD will reimburse us for the balance of the project cost. Reimbursements from the DOD are recorded as unearned income and included in other long-term liabilities on the Consolidated Balance Sheets. Construction of the facility began early in the third quarter 2008.

Advanced Material Technologies and Services expended approximately \$3.0 million for the expansion of various facilities and other projects in the first half of 2008. Specialty Engineered Alloys and Engineered Material Systems have various projects underway to upgrade and/or replace existing discrete pieces of equipment. Spending by Specialty Engineered Alloys totaled \$5.0 million in the first half of 2008.

We acquired the operating assets of Techni-Met, Inc. for \$87.4 million in February 2008. The acquisition was financed with a combination of cash and borrowings under the revolving credit agreement. Immediately subsequent to the acquisition, we sold the precious metal content of Techni-Met's inventory for its fair value of \$24.3 million to a financial institution and consigned it back under existing consignment lines. Preliminary goodwill assigned to the transaction, which is subject to final valuation, was \$17.9 million.

Other liabilities and accrued items of \$44.6 million as of the end of the second quarter 2008 were \$11.3 million lower than the balance of \$55.9 million at the end of 2007. Payment of the 2007 incentive compensation in the first quarter 2008, net of the expense for the first six months of the year, was the primary cause of the reduction. Accruals for other items, including changes in the timing of the payment of payroll deductions, fringe benefits and taxes other than income taxes as well changes in the fair value of outstanding derivative contracts contributed to the movement in the balance outstanding.

Unearned revenue, which is a liability representing products invoiced to customers but not shipped, was \$0.5 million as of June 27, 2008 compared to \$2.6 million as of December 31, 2007. Revenue and the associated margin will be recognized for these transactions when the goods ship, title passes and all other revenue recognition criteria are met. Invoicing in advance of the shipment, which is only done in certain circumstances, allows us to collect cash sooner than we would otherwise.

Other long-term liabilities were \$14.8 million as of the end of the second quarter 2008 compared to \$11.6 million as of the prior year end. This increase was primarily due to reimbursements received from the DOD for the construction of the new beryllium facility that were classified as long-term unearned income. This liability will be relieved to income over the life of the facility once it is built and placed into service. Other long-term liabilities, including the reserve for CBD litigation and the long-term portion of the incentive accruals, changed by minor amounts during the quarter.

The retirement and post-employment obligation balance of \$59.4 million at the end of the second quarter 2008 was \$1.9 million higher than the balance at December 31, 2007. This balance represents the liability under our domestic defined benefit pension plan, the retiree medical plan and other retirement plans and post-employment obligations. The main cause for the increase in the liability was the expense for the defined benefit plan as the expense for the other retirement plans was largely offset by the payments made during the first six months of 2008. We also made a contribution of \$0.4 million to the defined benefit plan in the second quarter 2008. We anticipate making additional contributions of approximately \$5.7 million in the second half of 2008 and that the contribution in 2009 will exceed the total contributions made in 2008.

Debt totaled \$87.1 million as of June 27, 2008, an increase of \$51.6 million over the balance as of December 31, 2007. This increase was primarily due to the Techni-Met acquisition in the first quarter 2008 and, to a lesser extent, funding of capital expenditures. Short-term debt increased \$10.7 million and long-term debt increased \$40.9 million in the first half of 2008. Short-term debt, which included foreign currency denominated loans, a gold-denominated loan and overnight dollar-based borrowings, totaled \$35.6 million as of the end of the second quarter 2008. The current portion of long-term debt was \$0.6 million, while long-term debt was \$50.9 million. We were in compliance with all of our debt covenants as of the end of the second quarter 2008.

Shareholders' equity was \$369.3 million at the end of the second quarter 2008, an increase of \$15.6 million over the \$353.7 million balance at the beginning of the year. The increase was primarily due to comprehensive income of \$13.0 million (see Note E to the Consolidated Financial Statements). Equity was also affected by stock compensation expense, the exercise of stock options, the tax benefits from the exercise of options and other factors.

The balance outstanding under the off-balance sheet precious metal consigned inventory arrangements totaled \$129.9 million at the end of the second quarter 2008, an increase of \$58.7 million during 2008 as the quantities on hand as well as the average metal prices increased. The increase was also due to the acquisition of Techni-Met in the first quarter 2008 and the addition of their metal requirements under the consignment lines.

There have been no substantive changes in the summary of contractual obligations under long-term debt agreements, operating leases and material purchase commitments as of June 27, 2008 from the year-end 2007 totals as disclosed on page 39 of our annual report on Form 10-K for the year ended December 31, 2007.

Net cash provided from operating activities was \$11.4 million in the first half of 2007 as net income, changes in various liabilities and the benefits of depreciation more than offset the increases in accounts receivable and inventory. Cash provided from operating activities in the second quarter 2007 was \$16.1 million. Receivables grew \$27.6 million, or 32%, due to the higher sales volume in the quarter and a slower days sales outstanding. Inventories increased \$11.2 million, or 7%, in the first half of 2007, although the inventory turnover period improved. The majority of the inventory increase was in ruthenium-based products. Capital expenditures were \$11.2 million while mine development expenditures totaled \$6.2 million in the first half of 2007. Outstanding debt totaled \$41.6 million at the end of the first half of 2007, a decrease of \$7.4 million during that period primarily as a result of the cash provided from operations. We received \$4.9 million for the exercise of stock options during the first half of 2007. The cash balance stood at \$12.1 million at the end of the second quarter 2007, a decrease of \$3.6 million from the prior year end.

We believe funds from operations and the available borrowing capacity are adequate to support operating requirements, capital expenditures, projected pension plan contributions, strategic acquisitions and environmental remediation projects. Although debt increased in the first half of 2008, primarily as a result of the Techni-Met acquisition, we had approximately \$172.4 million of available borrowing capacity under the existing lines of credit as of June 27, 2008.

Critical Accounting Policies

For information regarding critical accounting policies, please refer to pages 41 to 44 of our annual report on Form 10-K for the period ended December 31, 2007.

Market Risk Disclosures

A portion of our ruthenium inventory remains exposed to movements in the market price and potentially subject to further lower of cost or market charges as of the end of the second quarter 2008. The ruthenium market price increased early in the third quarter and was higher than the price used to write the inventory down at the end of the second quarter 2008. In the near term, however, with the majority of our sales of ruthenium-containing products being manufactured from customer supplied material, we may not be able to make a significant reduction in the quantity of inventory exposed to adverse price movements.

For additional information regarding market risks, please refer to pages 44 to 46 of our annual report on Form 10-K for the period ended December 31, 2007.

Outlook

The overall media market demand has been strong and demand in the second half of the year is typically stronger than the first half. We continued our product qualification and other development work on various media market applications in the second quarter 2008 and we believe that our sales to this market in the second half of 2008 may improve over the first half of 2008.

We anticipate that sales for defense-related applications will strengthen over the balance of the year. We also anticipate that demand will remain strong for wireless applications for Advanced Material Technologies and Services' products and for oil and gas and heavy equipment applications for Specialty Engineered Alloys' products. The Techni-Met acquisition provides an additional growth opportunity for this year as well as new technologies that can, in the long-term, be used in conjunction with our existing businesses to develop new applications. Sales of other new products are also contributing to the growth in many of our businesses.

Sales to the automotive industry, as well as sales into Europe, may soften in the third quarter 2008 from the second quarter 2008 levels due to change over to the new model year, normal seasonality and other factors.

We have made yield and efficiency improvements at various facilities which have had a positive impact on our gross margins in the first half of 2008. We anticipate that these benefits will continue in future periods.

As of early third quarter 2008, we are projecting diluted earnings per share for the entire year 2008 to be in a range of \$1.45 to \$1.70.

Forward-Looking Statements

Portions of the narrative set forth in this document that are not statements of historical or current facts are forward-looking statements. Our actual future performance may materially differ from that contemplated by the forward-looking statements as a result of a variety of factors. These factors include, in addition to those mentioned herein:

- The global and domestic economies;
- The condition of the markets which we serve, whether defined geographically or by segment, with the major market segments being telecommunications and computer, data storage, aerospace and defense, automotive electronics, industrial components, appliance and medical;
- Changes in product mix and the financial condition of customers;
- Actual sales, operating rates and margins for the year 2008;
- Our success in developing and introducing new products and new product ramp up rates, especially in the media market;
- Our success in passing through the costs of raw materials to customers or otherwise mitigating fluctuating prices for those materials, including the impact of fluctuating prices on inventory values;
- Our success in integrating newly acquired businesses, including the recent acquisition of the assets of Techni-Met, Inc.;
- Our success in implementing our strategic plans and the timely and successful completion of any capital projects;
- The availability of adequate lines of credit and the associated interest rates;
- Other financial factors, including cost and availability of raw materials (both base and precious metals), tax rates, interest rates, metal financing fees, exchange rates, pension and other employee benefit costs, energy costs, regulatory compliance costs, the cost and availability of insurance, and the impact of the Company's stock price on the cost of incentive and deferred compensation plans;
- The uncertainties related to the impact of war and terrorist activities;
- Changes in government regulatory requirements and the enactment of new legislation that may impact our obligations; and
- The conclusion of pending litigation matters in accordance with our expectation that there will be no material adverse effects.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For information about our market risks, please refer to our annual report on Form 10-K to shareholders for the period ended December 31, 2007.

Item 4. Controls and Procedures

We carried out an evaluation under the supervision and with participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 27, 2008 pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of the evaluation date.

In the second quarter 2008, the Company implemented SAP (an information technology system for accounting, sales and manufacturing) at one of its domestic facilities. SAP was implemented in part to improve internal controls over financial reporting at this facility. This change in systems was subject to thorough testing and review by internal and external parties both before and after final implementation. SAP had previously been implemented at a significant number of the Company's other facilities. The Company continually strives to improve its internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

There have been no other changes in our internal controls over financial reporting identified in connection with the evaluation required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended, that occurred during the quarter ended June 27, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Our subsidiaries and our holding company are subject, from time to time, to a variety of civil and administrative proceedings arising out of our normal operations, including, without limitation, product liability claims, health, safety and environmental claims and employment-related actions. Among such proceedings are the cases described below.

Beryllium Claims

As of June 27, 2008, our subsidiary, Brush Wellman Inc., was a defendant in eight proceedings in various state and federal courts brought by plaintiffs alleging that they have contracted, or have been placed at risk of contracting, chronic beryllium disease or other lung conditions as a result of exposure to beryllium. Plaintiffs in beryllium cases seek recovery under negligence and various other legal theories and seek compensatory and punitive damages, in many cases of an unspecified sum. Spouses of some plaintiffs claim loss of consortium.

One case previously reported on was dismissed during the fourth quarter of 2007. During the second quarter of 2008, the number of beryllium cases (which were previously reported as 9 cases (involving 31 plaintiffs)) remained unchanged at 8 cases (involving 30 plaintiffs) as of March 28, 2008 and as of June 27, 2008. No cases were filed, settled or dismissed during the quarter. During the second quarter of 2008, the court denied the motion for class certification in one case described below.

The eight pending beryllium cases as of June 27, 2008 fall into two categories: Six cases involving third-party individual plaintiffs, with 14 individuals (and four spouses who have filed claims as part of their spouse's case and two children who have filed claims as part of their parent's case); and two purported class actions, involving ten named plaintiffs, as discussed more fully below. Claims brought by third-party plaintiffs (typically employees of our customers or contractors) are generally covered by varying levels of insurance.

The first purported class action is Manuel Marin, et al. v. Brush Wellman Inc., filed in Superior Court of California, Los Angeles County, case number BC299055, on July 15, 2003. The named plaintiffs are Manuel Marin, Lisa Marin, Garfield Perry and Susan Perry. The defendants are Brush Wellman, Appanaitis Enterprises, Inc., and Doe Defendants 1 through 100. A First Amended Complaint was filed on September 15, 2004, naming five additional plaintiffs. The five additional named plaintiffs are Robert Thomas, Darnell White, Leonard Joffrion, James Jones and John Kesselring. The plaintiffs allege that they have been sensitized to beryllium while employed at the Boeing Company. The plaintiffs' wives claim loss of consortium. The plaintiffs purport to represent two classes of approximately 250 members each, one consisting of workers who worked at Boeing or its predecessors and are beryllium sensitized and the other consisting of their spouses. They have brought claims for negligence, strict liability — design defect, strict liability — failure to warn, fraudulent concealment, breach of implied warranties, and unfair business practices. The plaintiffs seek injunctive relief, medical monitoring, medical and health care provider reimbursement, attorneys' fees and costs, revocation of business license, and compensatory and punitive damages. Messrs. Marin, Perry, Thomas, White, Joffrion, Jones and Kesselring represent current and past employees of Boeing in California; and Ms. Marin and Ms. Perry are spouses. Defendant Appanaitis Enterprises Inc. was dismissed on May 5, 2005. Plaintiffs' motion for class certification, which the Company opposed, was heard by the court on February 8, 2008, and the motion was denied by the court on May 7, 2008. Plaintiffs filed a notice of appeal on May 20, 2008.

The second purported class action is Gary Anthony v. Small Tube Manufacturing Corporation d/b/a Small Tube Products Corporation, Inc., et al., filed in the Court of Common Pleas of Philadelphia County, Pennsylvania, case number 000525, on September 7, 2006. The case was removed to the U.S. District Court for the Eastern District of Pennsylvania, case number 06-CV-4419, on October 4, 2006. The only named plaintiff is Gary Anthony. The defendants are Small Tube Manufacturing Corporation, d/b/a Small Tube Products Corporation, Inc.; Admiral Metals Inc.; Tube Methods, Inc.; and Cabot Corporation. The plaintiff purports to sue on behalf of a class of current and former employees of the U.S. Gauge facility in Sellersville, Pennsylvania who have ever been exposed to beryllium for a period of at least one month while employed at U.S. Gauge. The plaintiff has brought claims for negligence. Plaintiff seeks the establishment of a medical monitoring trust fund, cost of publication of approved guidelines and procedures for medical screening and monitoring of the class, attorneys' fees and expenses.

Defendant Tube Methods, Inc. filed a third-party complaint against Brush Wellman Inc. in that action on November 15, 2006. Tube Methods alleges that Brush supplied beryllium-containing products to U.S. Gauge, and that Tube Methods worked on those products, but that Brush is liable to Tube Methods for indemnification and contribution. Brush moved to dismiss the Tube Methods complaint on December 22, 2006. On January 12, 2007, Tube Methods filed an amended third-party complaint, which Brush moved to dismiss on January 26, 2007; however, the Court denied the motion on September 28, 2007. Brush filed its answer to the amended third-party complaint on October 19, 2007. On November 14, 2007, two of the defendants filed a joint motion for an order permitting discovery to make the threshold determination of whether plaintiff is sensitized to beryllium. On February 13, 2008, the court approved the parties' stipulation that the plaintiff is not sensitized to beryllium. On February 29, 2008, Brush filed a motion for summary judgment based on plaintiff's lack of any substantially increased risk of CBD. Oral argument on this motion took place on June 13, 2008, and the court took the motion under submission. Plaintiff is required to file a motion for class certification on or before September 3, 2008, with oral argument on that motion scheduled for December 2008.

Other Claims

One of our subsidiaries, Williams Advanced Materials Inc. ("WAM"), is a party to two patent litigations in the U.S. involving Target Technology Company, LLC of Irvine, California ("Target"). Both actions involve patents directed to technology used in the production of DVD-9s, which are high storage capacity DVDs. The patents at issue concern certain silver alloys used to make the semi-reflective layer in DVD-9s, a thin metal film that is applied to a DVD-9 through a process known as sputtering. The raw material used in the sputtering process is called a target. Target alleges that WAM manufactures and sells infringing sputtering targets to DVD manufacturers.

In the first action, filed in April 2003 by WAM against Target in the U.S. District Court, Western District of New York (case no. 03-CV-0276A (SR)) (the "NY Action"), WAM has asked the Court for a judgment declaring certain Target patents invalid and/or unenforceable and awarding WAM damages. Target counterclaimed alleging infringement of those patents and seeking a judgment for infringement, an injunction against further infringement and damages for past infringement. Following certain proceedings in which WAM was denied an injunction to prevent Target from suing and threatening to sue WAM's customers, Target filed an amended counterclaim and a third-party complaint naming certain of WAM's customers and other entities as parties to the case and adding related other patents to the NY Action. The action is stayed pending resolution of the ownership issue in the CA Action, discussed more fully below.

In the second litigation, Target in September 2004 filed in the U.S. District Court, Central District of California (case no. SAC04-1083 DOC (MLGx)) a separate action for infringement of one of the same patents named in the NY Action (the "CA Action"), naming as defendants WAM and certain of WAM's customers who purchase certain WAM sputtering targets. Target seeks a judgment that the patent is valid and infringed by the defendants, a permanent injunction, damages adequate to compensate Target for the infringement, treble damages and attorneys' fees and costs. In April 2007, Sony DADC U.S., Inc. ("Sony") intervened in the CA Action claiming ownership of that patent and others of the patents that Target is seeking to enforce in the NY Action. Sony's claim is based on its prior employment of the patentee and Target's founder, Hampshire H. Nee, and includes a demand for damages against both Target and Nee. WAM on behalf of itself and its customers has a paid-up license from Sony under any rights that Sony has in those patents. Trial of the CA Action is currently scheduled for March 2009.

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Company's Annual Meeting of Shareholders for 2008 was held on May 7, 2008.

(b) The first matter was the election of Directors. Three directors were elected to serve for a term of three years by the following vote:

	Shares Voted "For"	Shares Voted "Against"	Shares Voted "Abstaining"	Shares "Non-Voted"
Albert C. Bersticker	12,950,217	5,421,580	-0-	1,909,253
William G. Pryor	14,821,792	3,550,005	-0-	37,878
N. Mohan Reddy	13,736,955	4,834,842	-0-	1,122,515

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The following directors continued their term of office after the meeting: Richard J. Hipple, Joseph P. Keithley, William B. Lawrence, William P. Madar, William R. Robertson and John Sherwin, Jr. As previously disclosed, the Board of Directors increased its size to ten and elected Mr. Craig S. Shular following the annual meeting.

(c) The second matter was a vote to ratify the appointment of Ernst & Young LLP as Brush Engineered Materials' auditors for the fiscal year ending December 31, 2008. The tabulation of votes for the appointment, which was ratified, is as follows:

For	18,266,225
Against.	85,780
Abstain.	19,792
Broker Non-votes	2,301,088

Item 6. Exhibits

- 4.1 Second Amendment to Rights Agreement, dated as of July 31, 2008, by and between Brush Engineered Materials Inc. and Wells Fargo Bank, N.A. as Rights Agent (filed as Exhibit 4.1 to the amended Form 8-A filed on July 31, 2008), incorporated herein by reference.
- 4.2 Second Amendment to Credit Agreement dated June 11, 2008 among Brush Engineered Materials Inc. and other borrowers and JPMorgan Chase, N.A., acting for itself and as agent for certain other banking institutions as lenders (filed as Exhibit 99.1 to the Company's Form 8-K on June 16, 2008), incorporated herein by reference.
- 10.1 Amended and Restated Form of Severance Agreement for Executive Officers.
- 10.2 Amended and Restated Form of Severance Agreement for Key Employees.
- 10.3 Amended and Restated 2006 Stock Incentive Plan.
- 10.4 Amended and Restated Executive Deferred Compensation Plan II.
- 11 Statement regarding computation of per share earnings
- 31.1 Certification of Chief Executive Officer required by Rule 13a-14(a) or 15d-14(a)
- 31.2 Certification of Chief Financial Officer required by Rule 13a-14(a) or 15d-14(a)
- 32 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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 thereunto duly authorized.

BRUSH ENGINEERED MATERIALS INC.

/s/ John D. Grampa

John D. Grampa
Senior Vice President Finance
and Chief Financial Officer

Dated: August 1, 2008

**AMENDED AND RESTATED
SEVERANCE AGREEMENT**

THIS AMENDED AND RESTATED SEVERANCE AGREEMENT (this "Agreement"), dated as of _____, 2008 is made and entered by and between Brush Engineered Materials Inc., an Ohio corporation (the "Company"), and _____ (the "Executive").

WITNESSETH:

WHEREAS, the American Jobs Creation Act of 2004, P.L. 108-357 (the "AJCA") added a new Section 409A to the Internal Revenue Code of 1986, as amended (the "Code"), which significantly changed the Federal tax law applicable to "amounts deferred" under nonqualified deferred compensation plans after December 31, 2004; and

WHEREAS, pursuant to the AJCA, the Secretary of the Treasury and the Internal Revenue Service has issued proposed and final regulations and other guidance with respect to the provisions of new Section 409A of the Code and will issue additional guidance with respect to Section 409A of the Code (collectively, the "AJCA Guidance"); and

WHEREAS, the Company and the Executive desire for this Agreement to take into account the AJCA Guidance issued to date and 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, 20____; *provided, however*, that (i) commencing on January 1, 20____ 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)), provided that in each case such date constitutes a “separation from service,” as defined for purposes of Section 409A of the Code.

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 (except as provided in Section 4(a) and Annex A), 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 (subject to Section 4(e)) will pay to the Executive the lump sum payment amounts described in Annex A within five business days after the Termination Date (the "Payment 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 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. Such payment shall take into account service rendered through the payment date and shall be made on the Payment Date.

(e) Notwithstanding the foregoing provisions of this Section 4 and Annex A, if the Executive is a "specified employee," determined pursuant to procedures adopted by the Company in compliance with Section 409A of the Code, on his Termination Date, amounts that would otherwise be payable pursuant to this Agreement during the six-month period immediately following the Executive's Termination Date (the "Delayed Payments") and benefits that would otherwise be provided pursuant to this Agreement (except for the benefits described in Paragraph 9 of Annex A) (the "Delayed Benefits") during the six-month period immediately following the Executive's Termination Date (such period, the "Delay Period") will instead be paid or made available on the earlier of (i) the first business day of the seventh month after Executive's Termination Date, or (ii) the Executive's death (the applicable date, the "Permissible Payment Date"). The Company shall pay interest on the Delayed Payments and the value of the Delayed Benefits at the rate specified in Section 4(b).

(f) Each payment to be made to the Executive under the provisions of this Section 4 and Annex A shall be considered to be a separate payment and not one of a series of payments for purposes of Section 409A of the Code. Further, coverages provided during one taxable year shall not affect the degree to which coverages will be provided in any other taxable year.

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 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 Company shall reduce the Executive's payments and/or benefits, to the extent required, in the

following order: (i) the lump sum payment described in paragraph (1) of Annex A; (ii) the lump sum payment described in Section 4(d) of this Agreement; (iii) the lump sum payment described in Paragraph (2) of Annex A; (iv) the lump sum payment described in Paragraph (4) of Annex A; (v) the lump sum payment described in Paragraph (6) of Annex A; (vi) the lump sum payment described in Paragraph (7) of Annex A; (vii) the lump sum payment described in Paragraph (8) of Annex A; (viii) the benefits described in Paragraph (9) of Annex A; (ix) the benefits described in Paragraph (3) of Annex A; and (x) the accelerated vesting of equity awards described in Paragraph (5) of Annex A.

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(a) 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. Such payments shall be made no later than December 31 of the year following the year in which the Executive incurs the expenses, provided that in no event will the amount of expenses eligible for reimbursement in one year

affect the amount of expenses to be reimbursed, or in-kind benefits to be provided, in any other taxable year.

(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. Notwithstanding anything contained in this Agreement to the contrary, in no event shall any amount be transferred to a trust described in this Section 7(b) if, pursuant to Section 409A(b)(3)(A) of the Code, such amount would, for purposes of Section 83 of the Code, be treated as property transferred in connection with the performance of services.

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. References to Section 409A shall include any proposed, temporary or final regulation, or any other formal guidance, promulgated with respect to such section by the U.S. Department of Treasury or the Internal Revenue Service.

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]

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 . 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) (a) 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 Paragraph (4) below) substantially similar (except with respect to the cost of health care benefits) 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. 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.

(b) The Executive will pay the full cost for health care continuation coverage (including medical, dental and vision coverage) described in Paragraph 3(a) on an after-tax basis. On the Payment Date and on January 2 of the following year, the Company will make a payment (the “Health Plans Premium Reimbursement”) to the Executive equal to the difference between (i) the amount the Executive will be required to pay during the calendar year of payment for such health care continuation coverage, and (ii) the amount the Executive would have been required to pay if the Executive were only required to pay the amount a similarly situated active employee would pay for such coverage, provided that the Company will not provide any payment pursuant to this Paragraph 3(b) after the date on which the Executive becomes employed (other than on a part-time or temporary basis) by any other person or entity that makes health care coverage available to the Executive and his eligible dependents. The Company shall reimburse the amount of any federal, state and local taxes imposed on the Executive as a result of the Health Plans Premium Reimbursement or the receipt of benefits under the health care continuation coverage, such reimbursement to be made subject to Section 4(e) and no later than December 31 of the year following the year in which the Executive remits the applicable taxes.

(c) 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.

(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; provided that Executive incurs such outplacement services no later than December 31 of the second year following the year in which Executive's Termination Date occurs, and provided further that the payment of fees for outplacement services will not be made any later than the last day of the third year following the year in which Executive's Date of Termination occurs.

**AMENDED AND RESTATED
SEVERANCE AGREEMENT**

THIS AMENDED AND RESTATED SEVERANCE AGREEMENT (this "Agreement"), dated as of _____, 2008 is made and entered by and between Brush Engineered Materials Inc., an Ohio corporation (the "Company"), and _____ (the "Executive").

WITNESSETH:

WHEREAS, the American Jobs Creation Act of 2004, P.L. 108-357 (the "AJCA") added a new Section 409A to the Internal Revenue Code of 1986, as amended (the "Code"), which significantly changed the Federal tax law applicable to "amounts deferred" under nonqualified deferred compensation plans after December 31, 2004; and

WHEREAS, pursuant to the AJCA, the Secretary of the Treasury and the Internal Revenue Service has issued proposed and final regulations and other guidance with respect to the provisions of new Section 409A of the Code and will issue additional guidance with respect to Section 409A of the Code (collectively, the "AJCA Guidance"); and

WHEREAS, the Company and the Executive desire for this Agreement to take into account the AJCA Guidance issued to date and 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 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, 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.

(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 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, 20___; *provided, however*, that (i) commencing on January 1, 20___ 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.

(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)), provided that in each case such date constitutes a “separation from service,” as defined for purposes of Section 409A of the Code.

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 (except as provided in Section 4(a) and Annex A), 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 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. Such payment shall take into account service rendered through the payment date and shall be made within five business days after the Termination Date (the "Payment Date").

(f) Applicable Provisions if Excise Tax Applies.

(i) Certain Additional Payments by the Company. The provisions of this Section 2(f)(i) shall be operative for a period of five (5) years commencing on the date first written above.

(A) In the event that it is determined (as hereafter provided) that any payment (other than the Gross-Up Payments provided for in this Section 2(f)(i) and Annex C) or distribution by the Company or any of its Affiliates to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any

other agreement, policy, plan, program or arrangement, including without limitation any stock option, performance share, performance unit, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the Executive will be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"); provided, however, that no Gross-Up Payment will be made with respect to the Excise Tax, if any, attributable to (A) any incentive stock option, as defined by Section 422 of the Code ("ISO") granted prior to the execution of this Agreement, or (B) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO described in clause (A). The Gross-Up Payment will be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment. For purposes of determining the amount of the Gross-Up Payment, the Executive will be considered to pay (x) federal income taxes at the highest rate in effect in the year in which the Gross-Up Payment will be made and (y) state and local income taxes at the highest rate in effect in the state or locality in which the Gross-Up Payment would be subject to state or local tax, net of the maximum reduction in federal income tax that could be obtained from deduction of such state and local taxes.

- (B) The obligations set forth in Section 2(f)(i) will be subject to the procedural provisions described in Annex C.
- (C) Notwithstanding anything in this Agreement to the contrary, the obligation to make the additional payments set forth in this Section 2(f)(i) and the procedural provisions described in Annex C shall expire and terminate on the fifth anniversary of _____, 20____ (the "Sunset Date").

(ii) Limitation on Payments and Benefits. The provisions of this Section 2(f)(ii) shall be operative after the Sunset Date. 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 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). 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)(ii) 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)(ii), the Company shall reduce the Executive's payments and/or benefits, to the extent required, in the following order: (i) the lump sum payment described in Paragraph (1) of Annex A; (ii) the lump sum payment described in Section 2(e) of this Agreement; (iii) the lump sum payment described in Paragraph (2) of Annex A; (iv) the lump sum payment described in Paragraph (4) of Annex A; (v) the lump sum payment described in Paragraph (6) of Annex A; (vi) the lump sum payment described in Paragraph (7) of Annex A; (vii) the lump sum payment described in Paragraph (8) of Annex A; (viii) the benefits described in Paragraph (9) of Annex A; (ix) the benefits described in Paragraph (3) of Annex A; and (x) the accelerated vesting of equity awards described in Paragraph (5) of Annex A.

(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. Such payments shall be made no later than December 31 of the year following the year in the which the Executive incurs the expenses, provided that in no event will the amount of expenses eligible for reimbursement in one year affect the amount of expenses to be reimbursed, or in-kind benefits to be provided, in any other taxable year.

(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. Notwithstanding anything contained in this Agreement to the contrary, in no event shall any amount be transferred to a trust described in this Section 2(g)(ii) if, pursuant to Section 409A(b)(3)(A) of the Code, such amount would, for purposes of Section 83 of the Code, be treated as property transferred in connection with the performance of services.

(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 other than during the Change in Control Severance Period, 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 (except as provided in Section 4(b) and Annex B), 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 (subject to Section 4(e)) will pay to the Executive the lump sum payment amounts described in Annex A on the Payment Date and will continue to provide to the Executive the benefits described in Annex A for the periods described therein.

(b) If the Company or an Affiliate of the Company terminates the Executive's employment other than during the Change in Control Severance Period and 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 (subject to Section 4(e)) will pay to the Executive the lump sum payment amounts described in Annex B on the Payment Date (or such other date as

specified in Annex B) and will continue to provide to the Executive the benefits described in Annex B for the periods described therein. In no event shall the Executive be entitled to the amounts described in Annex A and Annex B, and there shall be no other duplication of benefits payable pursuant to this Agreement.

(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), 6, 7 and 11 will survive any termination or expiration of this Agreement.

(e) Notwithstanding the foregoing provisions of this Section 4, Annex A, Annex B, and Annex C, if the Executive is a “specified employee,” determined pursuant to procedures adopted by the Company in compliance with Section 409A of the Code, on his Termination Date, amounts that would otherwise be payable pursuant to this Agreement during the six-month period immediately following the Executive’s Termination Date (the “Delayed Payments”) and benefits that would otherwise be provided pursuant to this Agreement (except for the benefits described in Paragraph 9 of Annex A and Paragraph 8 of Annex B) (the “Delayed Benefits”) during the six-month period immediately following the Executive’s Termination Date (such period, the “Delay Period”) will instead be paid or made available on the earlier of (i) the first business day of the seventh month after Executive’s Termination Date, or (ii) the Executive’s death (the applicable date, the “Permissible Payment Date”). The Company shall pay interest on the Delayed Payments and the value of the Delayed Benefits at the rate specified in Section 4(c).

(f) Each payment to be made to the Executive under the provisions of this Section 4, Annex A, Annex B, or Annex C shall be considered to be a separate payment and not one of a series of payments for purposes of Section 409A of the Code. Further, coverages provided during one taxable year shall not affect the degree to which coverages will be provided in any other taxable year.

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(a) 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. References to Section 409A shall include any proposed, temporary or final regulation, or any other formal guidance, promulgated with respect to such section by the U.S. Department of Treasury or the Internal Revenue Service.

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. If (i) a Change in Control occurs during the Special Severance Term and the Executive's employment terminates during the Change in Control Severance Period, this Agreement shall terminate at the expiration of the Change in Control Continuation Period (as defined in Annex A attached hereto); (ii) an Involuntary Termination occurs at any time other than during the Change in Control Severance Period, this Agreement shall terminate at the expiration of the Involuntary Termination Continuation Period (as defined in Annex B attached hereto); and (iii) subject to the last sentence of Section 7, the Executive ceases to be an employee of the Company and any Affiliate of the Company at any time other than during the Change in Control Severance Period, for any reason other than an Involuntary Termination, thereupon without further action this Agreement will immediately terminate and be of no further effect. For purposes of this Section 17, 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. Unless otherwise terminated in accordance with the foregoing, this Agreement shall continue in effect.

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. 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) (a) 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 Paragraph (4) below) substantially similar (except with respect to the cost of health care benefits) 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. 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.

(b) The Executive will pay the full cost for health care continuation coverage (including medical, dental and vision coverage) described in Paragraph 3(a) on an after-tax basis. On the Payment Date and on January 2 of the following two years, the Company will make a payment (the “Health Plans Premium Reimbursement”) to the Executive equal to the difference between (i) the amount the Executive will be required to pay during the calendar year of payment for such health care continuation coverage, and (ii) the amount the Executive would have been required to pay if the Executive were only required to pay the amount a similarly situated active employee would pay for such coverage, provided that the Company will not provide any payment pursuant to this Paragraph 3(b) after the date on which the Executive becomes employed (other than on a part-time or temporary basis) by any other person or entity that makes health care coverage available to the Executive and his eligible dependents. The Company shall reimburse the amount of any federal, state and local taxes imposed on the Executive as a result of the Health Plans Premium Reimbursement or the receipt of benefits under the health care continuation coverage, such reimbursement to be made subject to Section 4(e) and no later than December 31 of the year following the year in which the Executive remits the applicable taxes.

(c) 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.

(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; provided that Executive incurs such outplacement services no later than December 31 of the second year following the year in which Executive's Termination Date occurs, and provided further that the payment of fees for outplacement services will not be made any later than the last day of the third year following the year in which Executive's Date of Termination occurs.

**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. 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, on the Payment Date. 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 in the calendar year immediately following 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) (a) 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 Paragraph (4) below) substantially similar (except with respect to the cost of health care benefits) 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. 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.

(b) The Executive will pay the full cost for health care continuation coverage (including medical, dental and vision coverage) described in Paragraph 3(a) on an after-tax basis. On the Payment Date and on January 2 of the following year, the Company will make a Health Plans Premium Reimbursement to the Executive equal to the difference between (i) the amount the Executive will be required to pay during the calendar year of payment for such health care continuation coverage, and (ii) the amount the Executive would have been required to pay if the Executive were only required to pay the amount a similarly situated active employee would pay for such coverage, provided that the Company will not provide any payment pursuant to this Paragraph 3(b) after the date on which the Executive becomes employed (other than on a part-time or temporary basis) by any other person or entity that makes health care coverage available to the Executive and his eligible dependents. The Company shall reimburse the amount of any federal, state and local taxes imposed on the Executive as a result of the Health Plans Premium Reimbursement or the receipt of benefits under the health care continuation coverage, such reimbursement to be made subject to Section 4(e) and no later than December 31 of the year following the year in which the Executive remits the applicable taxes. Each cash payment made by the Company pursuant to this Paragraph 3(b) shall be considered a separate payment and not one of a series of payments for purposes of Section 409A.

(c) 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.

(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; provided that Executive incurs such outplacement services no later than December 31 of the second year following the year in which Executive's Termination Date occurs, and provided further that the payment of fees for outplacement services will not be made any later than the last day of the third year following the year in which Executive's Date of Termination occurs.

EXCISE TAX GROSS-UP PROCEDURAL PROVISIONS

(1) Subject to the provisions of Paragraph 5, all determinations required to be made under Section 2(f)(i) and Annex C, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, will be made by a nationally recognized accounting firm or benefits consulting firm (the “National Firm”) selected by the Executive in the Executive’s sole discretion. The Executive will direct the National Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 calendar days after the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the National Firm determines that any Excise Tax is payable by the Executive, the Company will pay the required Gross-Up Payment to the Executive as provided in Paragraph 7. If the National Firm determines that no Excise Tax is payable by the Executive with respect to any material benefit or amount (or portion thereof), it will, at the same time as it makes such determination, furnish the Company and the Executive with an opinion that the Executive has substantial authority not to report any Excise Tax on the Executive’s federal, state or local income or other tax return with respect to such benefit or amount. As a result of the uncertainty in the application of Section 4999 of the Code and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the National Firm hereunder, it is possible that Gross-Up Payments that will not have been made by the Company should have been made (an “Underpayment”), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Paragraph 5 and the Executive thereafter is required to make a payment of any Excise Tax, the Executive will direct the National Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment will be promptly paid by the Company to, or for the benefit of, the Executive after receipt of such determination and calculations as provided in Paragraph 7.

(2) The Company and the Executive will each provide the National Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the National Firm, and otherwise cooperate with the National Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Paragraph 1. Any determination by the National Firm as to the amount of the Gross-Up Payment will be binding upon the Company and the Executive.

(3) The federal, state and local income or other tax returns filed by the Executive will be prepared and filed on a consistent basis with the determination of the National Firm with respect to the Excise Tax payable by the Executive. The Executive will report and make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of the Executive’s federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably

requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the National Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive will within 5 business days pay to the Company the amount of such reduction.

(4) The fees and expenses of the National Firm for its services in connection with the determinations and calculations contemplated by Paragraph 1 will be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company will reimburse the Executive the full amount of such fees and expenses after receipt from the Executive of a statement therefor and reasonable evidence of Executive's payment thereof as provided in Paragraph 7.

(5) The Executive will notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification will be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive will further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive will not pay such claim prior to the expiration of the 30-calendar-day period following the date on which Executive gives such notice to the Company or, if earlier, the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive will:

(A) provide the Company with any written records or documents in the Executive's possession relating to such claim reasonably requested by the Company;

(B) take such action in connection with contesting such claim as the Company reasonably requests in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(C) cooperate with the Company in good faith in order effectively to contest such claim; and

(D) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income or other tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Paragraph 5, the Company will control all proceedings taken in connection with the contest of any claim contemplated by this Paragraph 5 and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at

Executive's own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company determines; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company will, as permitted by applicable law, advance the amount of such payment to the Executive on an interest-free basis and will indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(6) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Paragraph 5, the Executive receives any refund with respect to such claim, the Executive will (subject to the Company's complying with the requirements of Paragraph 5) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Paragraph 5, a determination is made that the Executive is not entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of any such advance will offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to Section 2(f)(i) and this Annex C.

(7) Notwithstanding any other provision of this Annex C to the contrary, but subject to Section 4(e), all taxes and expenses described in Section 2(f)(i) and this Annex C shall be paid or reimbursed within 5 business days after the Executive submits evidence of incurrence of such taxes and/or expenses, provided that in all events such reimbursement shall be made on or before the last day of the year following (a) the year in which the applicable taxes are remitted or expenses are incurred or, (b) in the case of reimbursement of expenses incurred due to a tax audit or litigation in which there is no remittance of taxes, the year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation, in accordance with Treasury Regulation §1.409A-3(i)(1)(v). The Executive shall be required to submit all requests for reimbursements no later than 30 days prior to the last day for reimbursement described in the prior sentence. Each provision of reimbursements pursuant to this Annex C shall be considered a separate payment and not one of a series of payments for purposes of Section 409A. Any expense reimbursed by the Company in one taxable year in no event will affect the amount of expenses required to be reimbursed by the Company in any other taxable year.

BRUSH ENGINEERED MATERIALS INC.
2006 STOCK INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE AUGUST 1, 2008)

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BRUSH ENGINEERED MATERIALS INC.

2006 STOCK INCENTIVE PLAN

(AS AMENDED AND RESTATED EFFECTIVE AUGUST 1, 2008)

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, unless otherwise determined by the Committee, the per share closing price of a Common Share on the New York Stock Exchange on the day such determination is being made (as reported in The Wall Street Journal) or, if there was no closing price reported on

such day, on the next day on which such a closing price was reported; or if the Common Shares are not listed or admitted to trading on the New York Stock Exchange on the day as of which the determination is being made, the amount determined by the Committee to be the fair market value of a Common Share on such day.

“ **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.

“ **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. 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. 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 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 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.

(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.

(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 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 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 in a manner that complies with Section 409A of the Code. Moreover, the Committee may on or after the Date of Grant provide in the agreement evidencing any award under this Plan 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. Notwithstanding the foregoing: (i) any adjustments made pursuant to this Section 11 to awards that are considered “deferred compensation” within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (ii) any adjustments made pursuant to this Section 11 of the Plan to awards that are not considered “deferred compensation” subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the awards either continue not to be subject to Section 409A of the Code or comply with the requirements of Section 409A of the Code; and (iii) the Committee shall not have the authority to make any adjustments pursuant to this Section 11 of the Plan to the extent that the existence of such authority would cause an award that is not intended to be subject to Section 409A of the Code to be subject thereto.

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 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 restriction 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, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Participant. This Plan and any grants made hereunder shall be administered in a manner consistent with this intent. Any reference in this Plan to Section 409A of the Code will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

(b) Neither a Participant nor any of a Participant's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under this Plan and grants hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to a Participant or for a Participant's benefit under this Plan and grants hereunder may not be reduced by, or offset against, any amount owing by a Participant to the Corporation or any of its affiliates.

(c) If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code), (i) the Participant shall be a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Corporation from time to time) and (ii) the Corporation shall make a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Corporation shall not pay such amount on the otherwise scheduled payment date but shall instead pay it, without interest, on the first business day of the seventh month after such six-month period.

(d) Notwithstanding any provision of this Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Corporation reserves the right to make amendments to this Plan and grants hereunder as the Corporation deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, a Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with this Plan and grants hereunder (including any taxes and penalties under Section 409A of the Code), and neither the Corporation nor any of its affiliates shall have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.

18. **Effective Date** . This Plan was originally effective as of May 2, 2006, the date the Plan was approved by shareholders, and this amended and restatement is effective August 1, 2008.

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.

(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.

/s/ Michael C. Hasychak
Vice President, Treasurer and Secretary

BRUSH ENGINEERED MATERIALS INC.
AMENDED AND RESTATED EXECUTIVE DEFERRED COMPENSATION PLAN II

ARTICLE 1
PURPOSE

The Brush Engineered Materials Inc. Executive Deferred Compensation Plan II (the “Plan”), adopted by the Board on December 7, 2004, for years beginning after December 31, 2004, is maintained for the purpose of providing deferred compensation to eligible employees, which plan is intended to be a non-qualified deferred compensation arrangement for a select group of management and highly compensated employees. Effective January 1, 2008, the Plan is amended and restated in the form of this Amended and Restated Executive Deferred Compensation Plan II to provide as follows:

ARTICLE 2
DEFINITIONS

The following terms shall have the following meanings described in this Article unless the context clearly indicates another meaning. All references in the Plan to specific Articles or Sections shall refer to Articles or Sections of the Plan unless otherwise stated.

2.1 Account means the record or records established for each Participant in accordance with Section 5.1.

2.2 Annual Excess Compensation means for a Plan Year a Participant’s Base Salary for services performed during the Plan Year, performance compensation payable in the Plan Year under the Brush Engineered Materials Inc. and Subsidiaries Management Performance Compensation Plan, and incentive compensation payable in cash and cash equivalents in the Plan Year under the Brush Engineered Materials Inc. and Subsidiaries Long-Term Incentive Plan, whether or not such compensation is reportable on Form W-2 for the Plan Year, but only to the extent that such compensation exceeds the limit imposed on compensation taken into account under the Brush Engineered Materials Inc. Savings and Investment Plan by reason of Code Section 401(a)(17) as determined by the Plan Administrator.

2.3 Base Salary means for a Plan Year the annual cash compensation relating to services performed during such Plan Year, whether or not paid in such Plan Year or included on the Federal Income Tax Form W-2 for such year, excluding bonuses, commissions, overtime, special awards, tax planning stipends, fringe benefits, stock options, relocation expenses, incentive payments, non-monetary awards, fees, and automobile and other allowances paid to a Participant for employment services rendered (whether or not such allowances are included in the Employee’s gross income). Base Salary shall be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or non-qualified plans of any Employer and shall be calculated to include amounts not otherwise included in the Participant’s gross income under Code Sections 125, 402(e)(3), 402(h), or 403(b) pursuant to plans established by any Employer; provided, however, that all such amounts will be

included in compensation only to the extent that, had there been no such plan, the amount would have been payable in cash to the Employee.

2.4 Board means the Board of Directors of Company.

2.5 Bonus means for a Plan Year any compensation payable in the form of cash to a Participant with respect to the Plan Year pursuant to the Brush Engineered Materials Inc. and Subsidiaries Management Performance Compensation Plan, whether or not paid in a calendar year or included on the Federal Income Tax Form W-2 for a calendar year.

2.6 Code means the Internal Revenue Code of 1986, as amended.

2.7 Company means Brush Engineered Materials Inc., an Ohio corporation.

2.8 Compensation Committee means the Compensation Committee of the Board or, at any time that no such committee exists, the Board.

2.9 Deferred Compensation means the portion of a Participant's Base Salary or Bonus allocated to the Participant's Account in accordance with Section 4.1.

2.10 Election Agreement means the written agreement entered into by an Employee, which shall be irrevocable, pursuant to which the Employee becomes a Participant in the Plan and makes an election relating to Deferred Compensation and the period over which Deferred Compensation and Nonelective Deferred Compensation and investment return thereon will be paid.

2.11 Employee means, with respect to each Employer, management and highly compensated employees.

2.12 Employer means the Company and any other corporation in a controlled group of corporations (under Code Section 414(b)) of which Company is a member which, with the authorization of the Board, adopts the Plan for the benefit of its employees pursuant to resolution of its board of directors.

2.13 Nonelective Deferred Compensation means a Participant's nonelective deferred compensation allocated to the Participant's Account in accordance with Section 5.1.

2.14 Participant means an Employee or former Employee of an Employer who has met the requirements for participation under Section 3.1 and who is or may become eligible to receive a benefit from the Plan or whose beneficiary may be eligible to receive a benefit from the Plan.

2.15 Plan means the plan, the terms and provisions of which are herein set forth, and as it may be amended or restated from time to time, designated as the "Brush Engineered Materials Inc. Executive Deferred Compensation Plan II."

2.16 Plan Administrator means the Company.

2.17 Plan Year means the period beginning on January 1 and ending on December 31 of each year.

2.18 Separation from Service means a termination of employment with the Company and all entities with which the Company would be considered a single employer under Section 414(b) and 414(c) of the Code in a manner such as to constitute a separation from service as defined under Section 409A of the Code; provided that in applying Section 1563(a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Section 1563(a)(1), (2), and (3), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c), “at least 50 percent” is used instead of “at least 80 percent” each place it appears in that regulation.

2.19 Trust means any domestic trust that may be maintained in the United States pursuant to Article 8.

2.20 Valuation Date means the last business day of each calendar month.

ARTICLE 3 PARTICIPATION

3.1 Eligibility. An Employee shall be eligible to participate in the Plan if he or she is an Employee designated as eligible by the Compensation Committee. Individuals not specifically designated by the Compensation Committee are not eligible to participate in the Plan.

3.2 Participation. An Employee shall become a Participant as of the date he or she satisfies the eligibility requirements of Section 3.1 and completes all administrative forms required by the Plan Administrator. A Participant’s participation in the Plan shall terminate upon Separation from Service or upon such other events as determined by the Compensation Committee.

ARTICLE 4 BENEFITS

4.1 Deferred Compensation. Subject to any limitations established by the Compensation Committee or the Plan Administrator, a Participant may elect for a Plan Year to have his or her Base Salary and/or Bonus deferred in any amount not to exceed (i) the Participant’s Base Salary in excess of the dollar limitation provided for under Code Section 401(a)(17) as determined by the Plan Administrator, except that this dollar limitation will not be applied with respect to the 2005 Plan Year, and (ii) the Participant’s full Bonus, less applicable tax withholding, and to have that amount credited to his or her Account as Deferred Compensation. Deferred Compensation shall be credited to a Participant’s Account monthly.

4.2 Nonelective Deferred Compensation. There shall be credited to each Participant’s Account for each Plan Year an amount equal to three percent of his or her Annual Excess Compensation, or such other percent as may be established from time to time by action of the Board to maintain parity with the matching contribution rate available under the Brush Engineered Materials Inc. Savings and Investment Plan. Moreover, the Compensation Committee may in its discretion determine for any Plan Year to make an additional credit to a Participant’s Account as Nonelective Deferred Compensation, which amount may be a different amount or percentage (including no amount) for each Participant, as the Compensation

Committee shall in its sole and absolute discretion determine. Nonelective Deferred Compensation shall be credited to a Participant's Account monthly.

4.3 Election Procedures .

(a) Except as provided in paragraphs (b) and (c) below, compensation for services performed during a taxable year may be deferred at the Participant's election only if the election to defer such compensation is made not later than the close of the preceding taxable year.

(b) In the case of the first year in which a Participant becomes eligible to participate in the Plan, the Participant's election with respect to amounts deferred pursuant to Sections 4.1 and 4.2 may be made with respect to services to be performed subsequent to the election within 30 days after the date the Participant becomes eligible to participate in the Plan. Except as provided in paragraph (c) below, when an election to defer is made in the first year of eligibility but after commencement of a performance period during which compensation is earned under an incentive plan, the deferral election shall apply only to that portion of such compensation earned under the incentive plan for such performance period equal to the total amount of the incentive compensation earned during such performance period multiplied by a fraction, the numerator of which is the number of days beginning on the day immediately after the day the election to defer becomes irrevocable and ending on the last day of the performance period, and the denominator of which is the total number of days in the performance period.

(c) In the case of any performance-based compensation based on services performed over a period of at least 12 months as determined by the Plan Administrator in accordance with regulatory guidance under Code Section 409A, an election may be made no later than six months before the end of the period.

(d) Each Participant shall specify on his or her Election Agreement with respect to each Plan Year (i) the percentage of Base Salary and/or the percentage of Bonus the Participant elects to defer for such Plan Year; and (ii) whether the Deferred Compensation and Nonelective Deferred Compensation for such Plan Year plus investment return credited to such amounts will be paid in a single lump sum, annual installments payable over three years, or annual installments payable over five years upon the Participant's Separation from Service; subject to the further provisions of Article 6.

(e) A Participant can change his or her Election Agreement and an eligible Employee who is not a Participant may become a Participant, as of any January 1 by completing, signing, and filing an Election Agreement with the Plan Administrator not later than the preceding December 31 (subject, however, to the provisions of paragraph (b) above in the case of a Participant who becomes newly eligible during the Plan Year). A Participant who does not complete a new Election Agreement for a Plan Year will be deemed to have elected not to have any Deferred Compensation for the Plan Year and will be deemed to have elected a single lump sum method of payment for any Nonelective Deferral Compensation for such Plan Year. In the event any amount is credited to the Account of Participant with respect to which no timely election concerning method of payment has been made, such amount shall be payable in the single lump sum method of payment.

(f) All Election Agreements shall be in a form acceptable to the Plan Administrator and shall be completed, signed, and filed with the Plan Administrator as provided herein.

ARTICLE 5 ACCOUNTS

5.1 Participant Accounts. The Plan Administrator shall establish a separate Account in the name of each Participant in respect of each Employer of such Participant for all amounts attributable to Deferred Compensation for each Plan Year for which the Participant has elected to defer compensation otherwise payable by such Employer and all Nonelective Deferred Compensation for each Plan Year. A Participant's Account shall be maintained by the Plan Administrator in accordance with the terms of this Plan until all of the Deferred Compensation, Nonelective Deferred Compensation, and investment return to which a Participant is entitled has been distributed to a Participant or his or her beneficiary in accordance with the terms of the Plan. A Participant shall be fully vested in his or her Account at all times.

5.2 Investment Return. Each Account shall be deemed to bear an investment return as if invested in the manner elected by the Participant from a list of investment funds from time to time determined by the Compensation Committee. The Compensation Committee may delegate to the Company's Retirement Plan Investment Committee the duty and authority to determine the investment funds to be used for this purpose under the Plan, including the discretion to eliminate, add, or substitute investment funds from time to time. Deemed investment return under the Plan shall be determined from the date of crediting of an amount to the Participant's Account (including deemed income thereon) through the date of complete distribution of the Account. A Participant shall be permitted to change his investment election under the Plan for any portion or all of his Account as of the first business day of any calendar quarter in accordance with such rules and procedures as the Company shall establish for this purpose. The Company shall have no obligation to actually invest funds pursuant to a Participant's elections, and if the Company does invest funds, a Participant shall have no right to any invested assets other than as a general unsecured creditor of the Company. During any period in which a Participant has not made an election relating to the investment of some portion of his Account, such as in the case of an investment fund previously selected by the Participant ceasing to be available under the Plan, the Retirement Plan Investment Committee shall determine the investment fund or funds to be used in determining investment return for that portion of his Account.

5.3 Valuation of Accounts. The value of an Account as of any Valuation Date shall equal the amounts previously credited to such Account less any payments debited to such Account plus the investment return deemed to be earned on such Account in accordance with Section 5.2 through the Valuation Date.

ARTICLE 6 DISTRIBUTIONS

6.1 Separation from Service. Upon Separation from Service for any reason other than death, a Participant's Account with respect to a Plan Year shall be distributed to the Participant in a single lump sum payment, annual installments payable over three years, or annual installments

payable over five years, as elected by the Participant on his or her Election Agreement with respect to deferrals for the Plan Year. Payment will be made or begin on the business day coinciding with or next following the 60th day after the Participant's Separation from Service; subject, however, to the provisions of Section 6.3. Remaining installment payments after the first annual payment shall be paid on March 31 of each subsequent year (subject, however, to the provisions of Section 6.3) and shall be calculated and recalculated annually by multiplying the balance credited to the Participant's Account (including any increase or decrease resulting from investment return) as of the most recent Valuation Date preceding the payment by a fraction, the numerator of which is one and the denominator of which is the remaining number of payments to be made to the Participant.

6.2 Death. If a Participant dies prior to Separation from Service or complete distribution of his or her Account, the amounts credited to his or her Account will be distributed in a single lump sum payment to the beneficiary named by the Participant on a beneficiary designation form filed with the Company. Payment of a death benefit will begin on the business day coinciding with or next following the 60th day after a Participant's death. The Participant may change the beneficiary designation at any time by signing and filing a new beneficiary designation form with the Plan Administrator. If for any reason no beneficiary is designated or no beneficiary survives the Participant, the beneficiary shall be the Participant's estate. If the Participant designates a trust as beneficiary, the Plan Administrator shall determine the rights of the trustee without responsibility for determining the validity, existence or provisions of the trust. Further, neither the Plan Administrator nor the Company nor any Employer shall have responsibility for the application of sums paid to the trustee or for the discharge of the trust.

6.3 Distribution Limitations. Notwithstanding any provision of the Plan to the contrary, compensation deferred under the Plan shall not be distributed earlier than

- (a) separation from service as determined by the Secretary of the Treasury (except as provided below with respect to a key employee of an Employer);
- (b) the date the Participant becomes disabled (within the meaning of Section 409A(a)(2)(C) of the Code);
- (c) death of the Participant;
- (d) a specified time (or pursuant to a fixed schedule) specified under the Plan at the date of the deferral of such compensation;
- (e) to the extent provided by the Secretary of the Treasury, a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company; or
- (f) the occurrence of an unforeseeable emergency as defined in Section 409A(a)(2)(B)(ii) of the Code.

In the case of any key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) of an Employer, distributions may not be made before the date which is six months after the date of Separation from Service (or, if earlier, the date of death of the Participant), provided that in the case of any distribution which would be made on an earlier date

but for this restriction, such distribution shall be made on the first day of the month following the date which is six months after the date of the key employee's Separation from Service.

ARTICLE 7 ADMINISTRATION

7.1 Plan Administrator. The Company shall have the sole responsibility for the administration of the Plan and is designated as Plan Administrator.

7.2 Appointment of Administrative Committee. The Company may delegate its duties as Plan Administrator to an Administrative Committee. The members of the Administrative Committee shall be selected by the Board.

7.3 Powers of Plan Administrator. The Plan Administrator shall have the full and exclusive power, discretion and authority to administer the Plan. The determinations and decisions of the Plan Administrator are final and binding on all persons. The Plan Administrator's powers shall include but shall not be limited to, the power to:

- (a) Maintain records pertaining to the Plan.
- (b) Interpret the terms and provisions of the Plan, and to construe ambiguities and correct omissions.
- (c) Establish procedures by which Participants may apply for benefits under the Plan and appeal a denial of benefits.
- (d) Determine the rights under the Plan of any Participant applying for or receiving benefits.
- (e) Administer the claims procedure provided in this Article.

(f) Perform all acts necessary to meet the reporting and disclosure obligations imposed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

(g) Delegate specific responsibilities for the operation and administration of the Plan to such employees or agents as it deems advisable and necessary.

In the exercise of its powers, the Plan Administrator shall be entitled to rely upon all tables, valuations, certificates and reports furnished by any accountant or consultant and upon opinions given by any legal counsel in each case duly selected by the Plan Administrator.

7.4 Limitation of Liability. The Plan Administrator and the Company and all other Employers, and their respective officers and directors (including but not limited to the members of the Board), shall not be liable for any act or omission relating to their duties under the Plan, unless such act or omission is attributable to their own willful misconduct or lack of good faith.

7.5 Claims Procedures.

(a) All claims under the Plan shall be directed to the attention of the Plan Administrator. Any Participant or beneficiary whose application for benefits or other claim under the Plan has been denied, in whole or in part, shall be given written notice of the denial by the Plan Administrator within 60 days after the receipt of the claim. The notice shall explain that the Participant or beneficiary may request a review of the denial and the procedure for requesting review. The notice shall describe any additional information necessary to perfect the Participant's or beneficiary's claim and explain why such information is necessary. If a Participant or beneficiary does not receive a written response to a claim within 60 days after receipt of the claim by the Plan Administrator, the claim will be deemed to be denied.

(b) A Participant or beneficiary may make a written request to the Plan Administrator for a review of any denial of claims under this Plan. The request for review must be in writing and must be made within 60 days after the mailing date of the notice of denial or the deemed denial. The request shall refer to the provisions of the Plan on which it is based and shall set forth the facts relied upon as justifying a reversal or modification of the determination being appealed.

(c) A Participant or beneficiary who requests a review of denial of claims in accordance with this claims procedure may examine pertinent documents and submit pertinent issues and comments in writing. A Participant or beneficiary may have a duly authorized representative act on his or her behalf in exercising his or her right to request a review and any other rights granted by this claims procedure. The Plan Administrator shall provide a review of the decision denying the claim within 60 days after receiving the written request for review. If a Participant or beneficiary does not receive a written response to a request for a review within the foregoing time limit, such request will be deemed to be denied. A decision by the Plan Administrator for review shall be final and binding on all persons.

ARTICLE 8 MISCELLANEOUS

8.1 Unfunded Plan .

(a) The Plan shall be an unfunded plan maintained by the Company and the other Employers for the purpose of providing benefits for a select group of management or highly compensated employees. Neither the Company nor any other Employer shall be required to set aside, earmark or entrust any fund or money with which to pay their obligations under this Plan or to invest in any particular investment vehicle and may change investments of Company assets at any time.

(b) The Company may establish a Trust to hold property that may be used to pay benefits under the Plan. The Trust shall be a domestic trust maintained in the United States. The Trust shall be intended to be a grantor trust, within the meaning of Section 671 of the Code, of which the Company is the grantor, and the Plan is to be construed in accordance with that intention. Notwithstanding any other provision of this Plan, the assets of the Trust will remain the property of the Company and will be subject to the claims of creditors in the event of bankruptcy or insolvency, as provided in the Trust Agreement. No Participant or person claiming through a Participant will have any

priority claim on the assets of the Trust or any security interest or other right superior to the rights of a general creditor of the Company or the other Employers as provided in the Trust Agreement.

(c) Subject to the following provisions of this paragraph (c), all benefits under this Plan shall be paid by the Participant's Employer(s) from its general assets and/or the assets of the Trust, which assets shall, at all times, remain subject to the claims of creditors as provided in the Trust Agreement. No Employer, other than the Company as provided below, shall have any obligation to pay benefits hereunder in respect of any Participants who are not Employees or former Employees of such Employer. The obligation of each Employer hereunder in respect of any Participant shall be limited to the amounts payable to such Participant from the Account established for such Participant in respect of employment with that Employer, except that if an Employer shall fail to make or cause to be made any benefit payment hereunder when due, the Company shall promptly make such benefit payment from its general assets and/or the assets of the Trust.

(d) Neither Participants, their beneficiaries nor their legal representatives shall have any right, other than the right of an unsecured general creditor, against the Company or any other Employer in respect of any portion of a Participant's Account and shall have no right, title or interest, legal or equitable, in or to any asset of the Company or any other Employer or the Trust.

8.2 Spendthrift Provision. The Plan shall not in any manner be liable for or subject to the debts or liabilities of any Participant or beneficiary. No benefit or interest under the Plan is subject to assignment, alienation, pledge, or encumbrance, whether voluntary or involuntary, and any purported or attempted assignment, alienation, pledge, or encumbrance of benefits shall be void and will not be recognized by the Company or any other Employer.

8.3 Employment Rights. The existence of the Plan shall not grant a Participant any legal or equitable right to continue as an Employee nor affect the right of the Company or any other Employer to discharge a Participant.

8.4 Withholding of Taxes. To the extent required by applicable law, the Company or another Employer will withhold from Compensation and/or Deferred Compensation and any payment hereunder all taxes required to be withheld for federal, state, or local government purposes.

8.5 Amendment or Termination. Subject to the provisions of Section 8.4 and 9.12, the Company reserves the right to amend, modify, suspend or terminate the Plan at any time by action of its Board or of the Compensation Committee of its Board; provided that no prior notice to any Participant shall be required, and provided further, that no such action may deprive a Participant of his rights to receive a benefit pursuant to the Plan with respect to compensation deferred prior to such action.

8.6 No Fiduciary Relationship Created. Nothing contained in this Plan, and no action taken pursuant to the provisions of this Plan, shall create or be deemed to create a fiduciary relationship between the Company or any other Employer or the Plan Administrator and any Participant, beneficiary or any other person.

8.7 Release. Any payment to any Participant or beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan Administrator, the Company, the other Employers and any of their respective officers, directors, shareholders, employees or agents.

8.8 No Warranty or Representation. Neither the Company nor any other Employer makes any warranty or representation regarding the effect of deferrals made or benefits paid under this Plan for any purpose.

8.9 Construction. Words used in the masculine shall apply to the feminine where applicable; and wherever the context of the Plan dictates, the plural shall be read as the singular and the singular as the plural.

8.10 Governing Law. To the extent that Ohio law is not preempted by ERISA, the provisions of the Plan shall be governed by the laws of the State of Ohio.

8.11 Counterparts. This Plan may be signed in any one or more counterparts each of which together shall constitute one instrument.

8.12 American Jobs Creation Act of 2004. The Plan is intended to provide for the deferral of compensation in accordance with the provisions of Section 409A of the Code and Treasury Regulations and published guidance issued pursuant thereto. Accordingly, the Plan shall be construed in a manner consistent with those provisions and may at any time be amended in the manner and to the extent determined necessary or desirable by the Company to reflect or otherwise facilitate compliance with such provisions with respect to amounts deferred on and after January 1, 2005, including as contemplated by Section 885(f) of the American Jobs Creation Act of 2004. Moreover, to the extent permitted in guidance issued by the Secretary of the Treasury and in accordance with procedures established by the Committee, a Participant may be permitted to terminate participation in the Plan or cancel an outstanding deferral election with regard to amounts deferred after December 31, 2004. Notwithstanding any provision of the Plan to the contrary, no otherwise permissible election or distribution shall be made or given effect under the Plan that would result in taxation of any amount under Section 409A of the Code.

8.13 Effect of Restatement. The terms of the Plan are amended and restated as set forth in this document effective January 1, 2008, to govern all compensation deferred after December 31, 2004. Notwithstanding the foregoing, however, for the period prior to January 1, 2008, the Plan shall operate based upon Notice 2005-1, additional notices published by the Treasury Department and the Internal Revenue Service providing transition guidance, and a good faith, reasonable interpretation of Section 409A of the Internal Revenue Code and its purpose.

IN WITNESS WHEREOF, Brush Engineered Materials, Inc. has executed this Plan this 29th day of July, 2008.

BRUSH ENGINEERED MATERIALS INC.

By: /s/ Michael C. Hasychak
Vice President, Treasurer and Secretary

BRUSH ENGINEERED MATERIALS INC. AND SUBSIDIARIES
COMPUTATION OF PER SHARE EARNINGS

	Second Quarter Ended		Six Months Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
Basic:				
Average shares outstanding	20,399,000	20,351,000	20,394,000	20,254,000
Net Income	\$ 7,158,000	\$ 7,939,000	\$11,754,000	\$31,053,000
Per share amount	\$ 0.35	\$ 0.39	\$ 0.58	\$ 1.53
Diluted:				
Average shares outstanding	20,399,000	20,351,000	20,394,000	20,254,000
Dilutive stock securities based on the treasury stock method using average market price	254,000	385,000	232,000	455,000
Totals	20,653,000	20,736,000	20,626,000	20,709,000
Net Income	\$ 7,158,000	\$ 7,939,000	\$11,754,000	\$31,053,000
Per share amount	\$ 0.35	\$ 0.38	\$ 0.57	\$ 1.50

CERTIFICATIONS

I, Richard J. Hipple, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Brush Engineered Materials Inc. (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
- 4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
- 5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: August 1, 2008

/s/ Richard J. Hipple

Richard J. Hipple
Chairman, President and Chief Executive Officer

CERTIFICATIONS

I, John D. Grampa, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Brush Engineered Materials Inc. (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
- 5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: August 1, 2008

/s/ John D. Grampa

John D. Grampa
Senior Vice President Finance and
Chief Financial Officer

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q of Brush Engineered Materials Inc. (the "Company") for the quarter ended June 27, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)), and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: August 1, 2008

/s/ Richard J. Hipple

Richard J. Hipple
Chairman of the Board, President and Chief
Executive Officer

/s/ John D. Grampa

John D. Grampa
Senior Vice President Finance and
Chief Financial Officer