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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported):

December 7, 2004

Brush Engineered Materials Inc.

(Exact name of registrant as specified in its charter)

Ohio

001-15885

34-1919973

(State or other jurisdiction
of incorporation)

(Commission
File Number)

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

17876 St. Clair Avenue, Cleveland, Ohio

44110

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

216-486-4200

N/A

Former name or former address, if changed since last report

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

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

On December 7, 2004, the Board of Directors of Brush Engineered Materials Inc. (the "Company") made certain changes to the benefit arrangements for executive officers and directors in response to the passage of the American Jobs Creation Act of 2004 (the "Jobs Act"), which added a new section to the Internal Revenue Code of 1986, as amended (the "Code"), Section 409A, imposing new requirements on deferred compensation arrangements. As part of these changes, the Board of Directors authorized and approved two new deferred compensation plans:

- (1) the Brush Engineered Materials Inc. Executive Deferred Compensation Plan II and
- (2) the Brush Engineered Materials Inc. 2005 Deferred Compensation Plan for Nonemployee Directors.

The Company's current Key Employee Share Option Plan (the "KESOP"), a copy of which has been previously filed, will be "frozen" after December 31, 2004, meaning that no further compensation reduction elections and option grants will be allowed under the KESOP after December 31, 2004. To replace the benefit previously being earned under the KESOP, the Board of Directors authorized and approved the Brush Engineered Materials Inc. Executive Deferred Compensation Plan II ("Plan II"), a copy of which is attached. Plan II is designed to comply with the Jobs Act. A brief description of Plan II (as compared to the KESOP) follows:

The KESOP permitted the Organization and Compensation Committee of the Board of Directors (the "Compensation Committee") to award options in designated property to selected employees. In practice, the Compensation Committee awarded discounted options in certain mutual funds for compensation foregone by employees along with a matching amount. The compensation employees could forego under the KESOP was their base salary and bonus in excess of the limitations imposed by Sections 401(a)(17) of the Code, and the match equaled the match the employees would have received under the Brush Engineered Materials Inc. Savings and Investment Plan (the "Savings Plan") if such foregone compensation had been contributed to the Savings Plan (without regard to the limitations imposed by Section 401(a)(17) and 415 of the Code). Plan II does not involve the award of options, but instead permits selected employees to defer a portion of base salary and/or bonus, which deferred amount is credited to a bookkeeping account and is deemed invested in certain mutual funds. The amount that may be deferred by employees under Plan II is generally limited to the amount that was permitted under the KESOP in practice, except for a transition period for 2005 in which all base salary may be deferred. Plan II credits the employees with nonelective deferred compensation equal to 3% of compensation in excess of the limits imposed on compensation taken into account by reason of Code Section 401(a)(17) (or other percentage to maintain parity with the Savings Plan's match) and permits other nonelective credits as determined by the Compensation Committee. Plan II permits distribution only upon termination of employment in a single lump sum payment or annual installments payable over three or five years, subject to the provisions of the Jobs Act. Options under the KESOP could be exercised at any time during the period beginning on the 184th day after the grant date and ending on the third anniversary of the employee's termination of employment or the 15th anniversary of the grant date. Plan II also includes a number of other technical provisions necessary to comply with the Jobs Act (e.g., such as restrictions on distributions to certain key employees).

In addition, no rights or benefits were being earned under the Company's (1) Supplemental Retirement Benefit Plan (the "SERP"), a copy of which has been previously filed, and the Company's Executive Deferred Compensation Plan ("Plan I"), a copy of which has been previously filed, both the SERP and Plan I were "frozen" as of December 7, 2004. Because there are no outstanding obligations under Plan I, Plan I will be discontinued.

The foregoing description of the Plan II is qualified in its entirety by reference to the full text of Plan II, a copy of which has been filed as an exhibit hereto and incorporated herein by this reference.

The second new plan adopted by the Board of Directors on December 7, 2004 in response to the Jobs Act was the Brush Engineered Materials Inc. 2005 Deferred Compensation Plan for Nonemployee Directors (the "2005 Plan"). The 2005 Plan will replace the 1992 Deferred Compensation Plan for Non-employee Directors (the "1992 Plan") with respect to the deferral of cash compensation earned after December 31, 2004. The 1992 Plan was also amended to terminate the participants' rights to elect to receive early distributions subject to a penalty. The principal difference between the 1992 Plan, as amended, and the 2005 Plan is that the 2005 Plan does not offer alternative investment media for deferred compensation but requires all deferrals to be invested in Common Shares of the Company.

The foregoing description of the 2005 Plan is qualified in its entirety by reference to the full text of the 2005 Plan, a copy of which has been filed as an exhibit hereto and incorporated herein by this reference.

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

Effective December 7, 2004, Richard J. Hipple, President of Alloy Products of Brush Wellman Inc., a wholly owned subsidiary of the Company, was designated as an Executive Officer of the Company for purposes of Section 16 of the Securities & Exchange Act of 1934 as amended.

Mr. Hipple joined Brush Wellman in July 2001 and served as its Vice President of Strip Products from July 2001 until May 2002 at which time he was promoted to President of Alloy Products. Prior to joining Brush, Mr. Hipple was President of LTV Steel Company, a business unit of

The LTV Corporation. Prior to running LTV's steel business, Mr. Hipple held numerous positions in Engineering, Strategic Planning and Procurement since 1975 at LTV. LTV filed for chapter 11 bankruptcy protection in December of 2000.

Mr. Hipple's Severance Agreement (the "Agreement"), entered into on March 4, 2003, states that in the event of a "change in control" of the Company as defined in this agreement, the executive's employment is terminated by the Company or one of its affiliates except for cause, or he resigns within one month after the first anniversary of the change, or the nature and scope of his duties worsens or certain other adverse changes occur and the Board of Directors so decides, then severance benefits will apply. Severance benefits include rights to a lump sum payment of two times salary; incentive compensation; any special awards; the continuation of retiree medical and life insurance benefits for two years; and a lump sum payment equal to the sum of the present value of any bonus he would have received under any long-term incentive plan (assuming attainment of the plan target rate), any retirement benefits he would have earned during the next two years and the cash value of certain other benefits. All equity incentive awards also vest, and all stock options become fully exercisable, if the severance benefits are applicable.

Item 8.01. Other Events.

On December 7, 2004, the Board of Directors approved Amendment No. 1, dated as of December 7, 2004 (the "Amendment"), to the Rights Agreement, dated as of May 10, 2000 (the "Rights Agreement"), between the Company and National City Bank, N.A., as rights agent ("National City"). The amendment removed National City as rights agent and appointed LaSalle National Bank, N.A. as successor rights agent.

The foregoing description of the Amendment is qualified in its entirety by reference to the full text of the Amendment, a copy of which has been filed as an exhibit hereto and incorporated herein by this reference. Copies of the Rights Agreement are available free of charge from the Company.

Item 9.01. Financial Statements and Exhibits.

- (a) Financial Statements of Businesses Acquired. N/A
- (b) Pro Forma Financial Information. N/A
- (c) Exhibits

4.1 Amendment No. 1, dated as of December 7, 2004, to the Rights Agreement, dated as of May 10, 2000, between the Company and National City Bank, N.A., as rights agent

10.1 Brush Engineered Materials Inc. Executive Deferred Compensation Plan II, dated as of December 7, 2004.

10.2 Brush Engineered Materials Inc. 2005 Deferred Compensation Plan for Nonemployee Directors, dated as of December 7, 2004.

SIGNATURES

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

Brush Engineered Materials Inc.

December 13, 2004

By: *Michael C. Hasychak*

Name: Michael C. Hasychak

Title: Vice President, Treasurer and Secretary

Exhibit Index

Exhibit No.	Description
4.1	Amendment No. 1, dated as of December 7, 2004, to the Rights Agreement, dated as of May 10, 2000, between the Company and National City Bank, N.A. as rights agent
10.1	Brush Engineered Materials Inc. Executive Deferred Compensation Plan II
10.2	Brush Engineered Materials Inc. 2005 Deferred Compensation Plan for Nonemployee Directors

December 7, 2004

National City Bank, N.A.
Corporate Trust Administration
629 Euclid Avenue, Suite 635
Cleveland, Ohio 44114
Attention: Corporate Trust Administration

LaSalle Bank National Association
Corporate Trust Administration
135 S. LaSalle St.
Chicago, Illinois 60603

Re: Notice of Removal of Rights Agent and Appointment of Successor Rights Agent and
Amendment No. 1 to the Rights Agreement (this "Notice and Amendment")

Ladies and Gentlemen:

1. Pursuant to Section 21 of the Rights Agreement, dated as of May 10, 2000 (the "Rights Agreement") between Brush Engineered Materials Inc. (the "Company") and National City Bank, N.A. (the "Rights Agent"), the Company hereby provides notice of the Rights Agent's removal as rights agent pursuant to the Rights Agreement, which removal shall be effective as of November 1, 2004, and the Rights Agent hereby accepts and agrees to such removal, effective as of November 1, 2004, and waives the time periods, notice and other requirements for removal of the Rights Agent pursuant to the Rights Agreement by its countersignature to this Amendment No. 1 to Rights Agreement in the space provided below.

2. Pursuant to Section 21 of the Rights Agreement, the Company hereby appoints LaSalle Bank National Association ("LaSalle") as successor to the Rights Agent, as rights agent to act as agent for the Company and the holders of Rights (as defined in the Rights Agreement) (who, in accordance with Section 3 of the Rights Agreement will also be, prior to the Distribution Date (as defined in the Rights Agreement) the holders of Common Shares (as defined in the Rights Agreement)) in accordance with the terms and conditions of the Rights Agreement, which appointment will be effective as of November 1, 2004, and LaSalle hereby accepts such appointment, also effective as of November 1, 2004 and agrees that it complies with the requirements of the New York Stock Exchange governing transfer agents and registrars, by its countersignature to this Amendment No. 1 to Rights Agreement in the space provided below.

3. Pursuant to Section 27 of the Rights Agreement, the Company, by resolution adopted by its Directors, and the Rights Agent hereby amend the Rights Agreement as follows, and LaSalle agrees to be bound thereby:

(a) The Company and LaSalle agree that the address and contact information set forth above for LaSalle will be the information for LaSalle for purposes of Section 26(b) of the Rights Agreement.

(b) The Rights Agreement shall not otherwise be supplemented or amended by virtue of this Notice and Amendment, but shall remain in full force and effect.

(c) This Notice and Amendment will be deemed to be a contract made under the internal substantive laws of the State of Ohio and for all purposes will be governed by and construed in accordance with the internal substantive laws of such State applicable to contracts to be made and performed entirely within such State.

(d) This Notice and Amendment may be executed in any number of counterparts and each of such counterparts will for all purposes be deemed to be an original, and all such counterparts will together constitute but one and the same instrument.

(e) Exhibits B and C to the Rights Agreement shall be deemed amended in a manner consistent with this Notice and Amendment.

Very truly yours,

BRUSH ENGINEERED MATERIALS INC.

By: /s/ Michael C. Hasychak

Title: Vice President, Treasurer & Secretary

Accepted and agreed to as of the date
first written above:

LASALLE BANK NATIONAL
ASSOCIATION, as successor Rights Agent

By: /s/Mark Rimkus

Title: Vice President, Shareholder Services

Accepted and agreed to as of the date
first written above:

NATIONAL CITY BANK, N.A.

By: /s/ Pamela Fisher

Title: Assistant Vice President

BRUSH ENGINEERED MATERIALS INC.

EXECUTIVE DEFERRED COMPENSATION PLAN II

ARTICLE 1
PURPOSE

The Brush Engineered Materials Inc. Executive Deferred Compensation Plan II (the "Plan") is hereby established in accordance with the following terms and conditions 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. The Plan is adopted by the Board on December 7, 2004, for years beginning after December 31, 2004.

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 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, 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 to a Participant in the Plan Year pursuant to the Brush Engineered Materials Inc. and Subsidiaries Management Performance Compensation Plan or the Brush Engineered Materials Inc. and Subsidiaries Long-Term Incentive 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 Organization and 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 of the Plan.

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 of the Plan.

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

2.19 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 termination of employment with the Company and all direct and indirect subsidiaries of Company 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 (3) 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.

(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 termination of employment with the Company and all direct and indirect subsidiaries of the Company; 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 determined by the Compensation Committee from the date of crediting to the Participant's Account and income thereon through the date of complete distribution of the Account. 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 rights to any invested assets other than as a general unsecured creditor of the Company.

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 Termination of Employment. Upon termination of employment 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 sixtieth (60th) day after the Participant's termination of employment or as soon thereafter as is administratively practicable; subject, however, to the provisions of Section 6.3. Installment payments 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 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 termination of employment 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 sixtieth (60th) day after a Participant's death or as soon thereafter as is administratively practicable. 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).

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 sixty (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 sixty (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 sixty (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 sixty (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 Section 8(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 8.12, the Company reserves the right to amend, modify, suspend or terminate the Plan at any time without prior notice by action of its Board; provided, however, 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. An Employer may terminate its participation in the Plan at any time by action of its board of directors.

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.

1.18.8 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.

IN WITNESS WHEREOF, Brush Engineered Materials, Inc. has executed this Plan this 7th day of December, 2004.

BRUSH ENGINEERED MATERIALS INC.

By: /s/ Michael C. Hasychak

Name: Michael C. Hasychak

Title: Vice President, Treasurer and Secretary

BRUSH ENGINEERED MATERIALS INC.**2005 DEFERRED COMPENSATION PLAN FOR NONEMPLOYEE DIRECTORS****(EFFECTIVE JANUARY 1, 2005)****Recitals**

1. Brush Engineered Materials Inc. (the "Company") has suspended the 1992 Brush Engineered Materials Inc. Deferred Compensation Plan for Nonemployee Directors (As Amended as of May 16, 2000) and as further amended by Amendments No. 1, No. 2, and No. 3.

2. 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;

3. Pursuant to the AJCA, the Secretary of the Treasury and the Internal Revenue Service will issue proposed, temporary or final regulations and/or other guidance with respect to the provisions of new Section 409A of the Code (collectively, the "AJCA Guidance");

4. The AJCA Guidance has not yet been issued; and

5. The Company now desires to adopt a new deferred compensation plan for nonemployee directors, effective January 1, 2005.

ARTICLE I**INTRODUCTION**

1.1. *Purpose of the Plan* . The purpose of the Brush Engineered Materials Inc. 2005 Deferred Compensation Plan for Nonemployee Directors is to provide the nonemployee Directors of the Company with the opportunity to defer receipt of compensation payable for services as a Director and to help solidify the common interest of Directors and shareholders in enhancing the value of the Company's Common Shares.

1.2. *American Jobs Creation Act (AJCA)* .

(a) It is intended that the Plan (including any amendments thereto) comply with the provisions of Section 409A of the Code, as enacted by the AJCA, so as to prevent the inclusion in gross income of any amount credited to a Director's Deferred Compensation Account hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise be actually distributed or made available to the Director. The Plan shall be administered in a manner that will comply with Section 409A of the Code, including proposed, temporary or final regulations or any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect thereto (collectively with the AJCA, the "AJCA Guidance"). Any Plan provision that would cause the Plan to fail to satisfy Section 409A of the Code (including, without limitation, any provisions of this Amendment No. 3) shall have no force and effect until amended to comply with Code Section 409A (which amendment may be retroactive to the extent permitted by the AJCA Guidance).

(b) The effective date of the Plan is January 1, 2005.

ARTICLE II**DEFINITIONS**

As used herein, the following words shall have the meanings stated after them unless otherwise specifically provided:

2.1. “ *Change in Control* ” shall have the meaning assigned thereto in Section 5.5 hereof.

2.2. “ *Committee* ” shall mean the Governance Committee of the Board of Directors.

2.3. “ *Common Shares* ” shall mean the Common Shares, without par value, of the Company.

2.4. “ *Company* ” shall mean Brush Engineered Materials Inc.

2.5. “ *Deferred Compensation Account* ” shall have the meaning assigned thereto in Section 3.1 hereof.

2.6. “ *Director* ” shall mean any nonemployee director of the Company.

2.7. “ *Insolvent* ” shall have the meaning assigned thereto in Section 6.2 hereof.

2.8. “ *Plan* ” shall mean the 2005 Brush Engineered Materials Inc. Deferred Compensation Plan for Nonemployee Directors, as amended from time to time.

2.9. “ *Terminated Participant* ” shall have the meaning assigned thereto in Section 8.3 hereof.

2.10. “ *Trust* ” shall have the meaning assigned thereto in Section 4.1 hereof.

2.11. “ *Trust Account* ” shall have the meaning assigned thereto in Section 4.2 hereof.

2.12. “ *Trust Agreement* ” shall mean the Trust Agreement entered into between the Company and the Trustee in connection with the Plan.

2.13. “ *Trust Fund* ” shall have the meaning assigned thereto in Section 4.2 hereof.

2.14. “ *Trustee* ” shall mean such person or entity as may be chosen by the Company from time to time to act as the trustee under the Trust Agreement, together with the successors of such person or entity as may be provided in the Trust Agreement.

ARTICLE III

ELECTIONS BY DIRECTORS

3.1. *Compensation Reduction for 2005 and Later Years* . Not later than December 31 of any calendar year, beginning with December 31, 2004 for the calendar year 2005, a Director may, by filing an annual written election with the Committee, direct the Company (a) to reduce the compensation payable to him or her (determined without regard to the provisions of this Section) for services as a Director during the next calendar year in such amount as elected by the Director and (b) to credit the amount of such reduction to the Director’s Deferred Compensation Account.

3.2. *Partial Years* . If a Director first becomes a Director after January 1st of any calendar year, the Director may, by filing a written election with the Committee, direct the Company (a) to reduce the compensation payable to him or her for future services as a Director during the year in such amount as elected by the Director and (b) to credit the amount of such reduction to the Director’s Deferred Compensation Account. Any such election shall be made within 30 days after an individual becomes a Director, and shall apply only to compensation for services as a Director performed after the date of such election.

3.3. *Elections Irrevocable* . All elections described in this Article shall be made on an election form specified by the Committee and filed with the Committee. Once an election becomes effective pursuant to this Article, such election shall be irrevocable and shall remain in effect until the end of the calendar year to which it relates.

3.4. *Deferred Compensation Accounts* . Each Director who has elected to have his or her compensation reduced pursuant to this Article shall have a nonforfeitable right to the balance from time to time of his or her Deferred Compensation Account. Each Director's Deferred Compensation Account shall be subdivided into separate subaccounts for each year of participation. In addition to the credits to a Director's Deferred Compensation Account described in Sections 3.1, 3.2, and 3.3 hereof, a Director's Deferred Compensation Account (and the appropriate subaccounts) shall be credited or debited with, amounts equal to the income, earnings, gains or losses on the Trust Account maintained with respect to the Director under the Trust Agreement at such times as such items are credited to or debited from such Trust Account and shall be debited for any distributions to the Director under Article V.

ARTICLE IV

ACCOUNTS AND INVESTMENTS

4.1. *Contribution* . (a) The Company shall from time to time transfer to the Trustee to be held under the Trust Agreement in a trust (the "Trust") cash funds equal to the amounts by which Directors elect to have their compensation reduced pursuant to this Plan. All such transfers shall be made within 30 days after such compensation would have been paid to the Director but for the Director's compensation reduction election.

(b) Except as provided with respect to the creditors of the Company in Article VI hereof, all contributions and other transfers by the Company to the Trust pursuant to Section 4.1(a) hereof shall be irrevocable, and (except as so provided) the Company shall have no right to the return of any funds so contributed or transferred to the Trust or any earnings thereon.

4.2. *Establishment and Adjustment of Accounts* . The Trustee shall establish a separate account under the Trust (a "Trust Account") for any Director who defers compensation pursuant to the Plan. As of December 31 of each year and on such other dates as the Committee may direct, the fair market value of the assets of the Trust allocated to all Trust Accounts (the "Trust Fund") shall be determined by the Trustee.

4.3. *Investment of Assets* . The assets of the Trust Fund shall be held by the Trustee in the name of the Trust. As amounts are received by the Trustee, it shall invest the funds pursuant to the Trust Agreement, which shall authorize the Trustee to invest the funds contained in each Trust Account in Common Shares.

4.4. *Assets Held in Cash* . The Trustee may, in its sole discretion, maintain in cash such amounts as it deems necessary to meet the needs of the Trust from time to time. Amounts maintained in cash by the Trustee shall be kept to a minimum consistent with the duties and obligations of the Trustee as set forth in the Trust Agreement and shall not be required to be invested at interest.

4.5. *Trustee's Fees* . The fees and expenses of the Trustee under the Trust Agreement shall be paid by the Company.

ARTICLE V

PAYMENT OF ACCOUNTS

5.1. *Time of Payment* . Distribution of each subaccount included in a Director's Deferred Compensation Account shall commence or be made in the manner described in Section 5.2 hereof as soon as is reasonably practicable, but not later than 60 days, after the earlier of: (i) the date of termination of service as a Director on account of resignation, retirement, death or otherwise, (ii) if so specified on the Director's election form for the particular year (or on the 2005 election form for all current Directors), the date the Director reaches the age of 70 or older, or (iii) the occurrence of a Change in Control of the Company. However, if the aggregate amount credited to any Director's Deferred Compensation Account is less than \$17,500, the distribution of the Director's entire Deferred Compensation shall be in a lump sum on the applicable date.

5.2. *Method of Distribution* . Prior to December 31 of end year, beginning with December 31, 2004, a Director shall file an annual election with the Committee to specify whether amounts credited to his Deferred Compensation Account for the following year shall be distributed to him or her (or his or her beneficiary) in a single lump sum

payment at the time described in Section 5.1, or in not more than ten annual installments commencing at such time. The amounts credited to the Director's Deferred Compensation Account for such year shall be distributed or commence to be distributed to the Director or the Director's beneficiary at the time described in Section 5.1 in the manner so specified. The amount of each installment payment shall be calculated by dividing the amount credited to the applicable subaccount in the Director's Deferred Compensation Account at the time of each such payment (as determined by the Committee) by the number of remaining installments (including the current installment). If the Company is not Insolvent at the time of any payment, the payment shall be made from the Trust and charged to the Director's Trust Account. The Common Shares shall be distributed in kind.

5.3. *Designation of Beneficiary* . Each Director participating in this Plan shall designate a beneficiary or beneficiaries to whom distribution shall be made pursuant to Section 5.2 in the event of the death of the Director before his or her entire Deferred Compensation Account is distributed. If there is no designated beneficiary, or no designated beneficiary surviving at a Director's death the Director's beneficiary shall be his or her estate. Beneficiary designations shall be made in writing. A Director may designate a new beneficiary or beneficiaries at any time by filing a new election with the Committee.

5.4. *Taxes* . In the event any taxes are required by law to be withheld or paid from any distributions made pursuant to the Plan, the Company or Trustee (as applicable) shall deduct such amounts from such distributions and shall transmit the withheld amounts to the appropriate taxing authority.

5.5. *Definition of Change in Control* . A "Change in Control" of the Company shall have occurred if at any time any of the following events shall occur:

(a) The Board of Directors of the Company at any time shall fail to include a majority of directors who are either "Original Directors" or "Approved Directors". An Original Director is a director who is serving on January 1, 1995. An Approved Director is a director who, after such date, is elected to the Board of Directors of Brush Wellman Inc. or the Board of Directors of the Company, or is nominated for election by the shareholders, by a vote of at least two-thirds of the Original Directors and the previously elected Approved Directors, if any;

(b) Any person (as the term "person" is defined in Section 1701.01(G) of the Ohio Revised Code) shall have made a "control share acquisition" (as the term "control share acquisition" is defined in Section 1701.01(Z) of the Ohio Revised Code) of shares of the Company without having first complied with Section 1701.831 of the Ohio Revised Code (dealing with control share acquisitions); or

(c) The Board of Directors shall at any time determine in the good faith exercise of its judgment that (i) any particular actual or proposed accumulation of shares of the Company, tender offer for shares of the Company, merger, consolidation, sale of assets, proxy contest, or other transaction or event or series of transactions or events will, or is likely to, if carried out, result in a Change in Control falling within Sections 5.5(a) or 5.5(b) hereof and (ii) it is in the best interests of the Company and its shareholders, and will serve the intended purposes of this Plan and the Trust, for distributions of Deferred Compensation Accounts to commence immediately as herein provided.

ARTICLE VI

CREDITORS AND INSOLVENCY

6.1. *Claims of the Company's Creditors* . All assets held in the Trust pursuant to the Plan, and any payment to be made by the Trustee pursuant to the Plan and Trust Agreement, shall be subject to the claims of the general creditors of the Company, including judgment creditors and bankruptcy creditors. The rights of a Director or his or her beneficiaries to any assets of the Trust Fund shall be no greater than the rights of an unsecured creditor of the Company.

6.2. *Notification of Insolvency* . In the event the Company becomes Insolvent (as hereinafter defined), the Board of Directors of the Company and the chief executive officer of the Company shall immediately notify the Trustee of that fact. The Trustee shall not make any payments from the Trust Fund to any Director or any beneficiary under the Plan after such notification is received or at any time after the Trustee has knowledge of such Insolvency. Under any such circumstance, the Trustee shall deliver any property held in the Trust Fund only as a court of competent jurisdiction

may direct to satisfy the claims of the Company's creditors. For purposes of this Plan, the Company shall be deemed to be "Insolvent" if the Company is subject to a pending voluntary or involuntary proceeding as a debtor under the United States Bankruptcy Code, as amended, or is unable to pay its debts as they mature.

ARTICLE VII

ADMINISTRATION

7.1. *Powers of the Committee* . The Committee shall administer the Plan and resolve all questions of interpretation arising under the Plan. Whenever elections, directions, designations, applications, requests or other notices are to be given or made by a Director under the Plan, they shall be filed with the Committee. Except as provided in Section 8.3 hereof, the Committee shall have no discretion with respect to Plan contributions or distributions, but shall act in an administrative capacity only.

7.2. *Indemnity of Committee* . The Company shall indemnify the members of the Committee against all claims, losses, damages, expenses and liabilities arising from any action or failure to act with respect to the Plan to the extent provided in the Regulations of the Company and any applicable indemnification agreement between the Company and such member.

ARTICLE VIII

MISCELLANEOUS

8.1. *Funding* . Neither any Director, nor his or her beneficiaries, nor his or her heirs, successors or assigns, shall have any secured interest in or, claim on any property or assets of the Company or the Trust. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future. The Company shall create the Trust to hold funds to be used in payment of its obligations under the Plan and to provide a measure of the benefits payable to the Director hereunder, and shall fund such Trust in accordance with the terms of the Plan, but all funds contained therein shall remain subject to the claims of the Company's general creditors as provided in Article VI hereof.

8.2. *Term of Plan* . The Company reserves the right to amend the Plan or Trust Agreement or terminate the Plan at any time; *provided, however*, that no amendment or termination shall affect the rights of Directors to amounts previously credited to their Deferred Compensation Accounts or to additional credits to their Deferred Compensation Accounts pursuant to Section 3.4 hereof for additional earnings of the Trust following such termination; and provided further, that no amendment or termination shall apply to the then current plan year, except as permitted under Section 409A of the Code. The Trust shall remain in effect until such time as the entire corpus of the Trust Fund has been distributed pursuant to the terms of the Plan, and the Plan shall remain in effect until such time as all amounts credited to Directors' Deferred Compensation Accounts are distributed pursuant to Article V hereof.

8.3. *Assignment* . No right or interest of any Director or his or her beneficiary (or any person claiming through or under such Director or his or her beneficiary) in any benefit or payment herefrom shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance or other legal process or in any manner be liable for or subject to the debts or liabilities of such Director.

If any Director or any such person (other than the surviving spouse of such Director after he or she is deceased) shall attempt to or shall transfer, assign, alienate, anticipate, sell, pledge or otherwise encumber his or her benefits hereunder or any part thereof, or if by reason of his or her bankruptcy or other event happening at any time such benefits would devolve upon anyone else or would not be enjoyed by him or her, then the Committee, in its discretion, may terminate his or her interest in any such benefit, to the extent the Committee considers necessary or advisable to prevent or limit the effects of such occurrence, by filing a written "termination declaration" with the Committee records and making reasonable efforts to deliver a copy to such Director or his or her beneficiary whose interest is adversely affected (the "Terminated Participant").

As long as any Terminated Participant is alive, any benefits affected by the termination declaration shall be retained by the Company and, in the Committee's sole and absolute judgment, may be paid to or expended for the

benefit of such Terminated Participant, his or her spouse, his or her children or any other person or persons in fact dependent upon him or her in such a manner as the Committee shall deem proper. Upon the death of any Terminated Participant, all benefits withheld from him or her and not paid to others in accordance with the preceding sentence shall be distributed to such Terminated Participant's surviving spouse or, if there is no surviving spouse, to such Terminated Participant's then living descendants, including adopted children, *per stirpes*, or if there is no surviving spouse and no surviving descendants, to such Terminated Participant's estate. Payments described in this paragraph shall be made from the Trust if the Company is not Insolvent at the time for any such payment.

8.4. *Tax Effect*. This Plan is intended to be treated as an unfunded deferred compensation plan under the Internal Revenue Code. It is the intention of the Company that the amounts by which Directors elect to have their compensation reduced pursuant to this Plan shall not be included in the gross income of the Directors or their beneficiaries until such time as the amounts credited to Directors' Deferred Compensation Accounts hereunder are distributed from the Plan. If, at any time, it is determined by the Company that amounts attributable to Directors' compensation reduction elections or Deferred Compensation Accounts are includible in the gross income of the Directors or their beneficiaries before distribution pursuant to Article V hereof, all amounts credited to Directors' Deferred Compensation Accounts shall be immediately distributed to the respective Directors or, in the case of deceased Directors, their beneficiaries. Distributions described in the preceding sentence shall be made from the Trust if the Company is not Insolvent at the time for such distribution.

8.5. *Governing Law*. This Plan shall be governed by and construed in accordance with the internal substantive laws of the State of Ohio.

8.6. *Successors*. The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns. The term "successors" as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of the Company and successors of any such corporation or other business entity.

8.7. *No Right to Continued Service*. Nothing contained herein shall be construed to confer upon any Director the right to continue to serve as a Director of the Company or in any other capacity.

IN WITNESS WHEREOF, Brush Engineered Materials, Inc. has executed this Plan this 7th day of December, 2004.

BRUSH ENGINEERED MATERIALS INC.

By: /s/ Michael C. Hasychak

Name: Michael C. Hasychak

Title: Vice President, Treasurer and Secretary