
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):

February 8, 2006

Brush Engineered Materials Inc.

(Exact name of registrant as specified in its charter)

Ohio

001-15885

34-1919973

(State or other jurisdiction
of incorporation)

(Commission
File Number)

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

17876 St. Clair Avenue, Cleveland, Ohio

44110

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

216-486-4200

Not Applicable

Former name or former address, if changed since last report

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

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

On February 7, 2006, the Organization and Compensation Committee (the "Committee") of the Board of Directors of Brush Engineered Materials Inc. (the "Company") took the following actions:

ANNUAL PERFORMANCE COMPENSATION FOR 2006

The Committee approved the 2006 Management Performance Compensation Plan (the "MPC Plan"). This plan provides for annual, single-sum cash payments that are based on achieving pre-established financial objectives and qualitative performance factors. The 2006 MPC Plan is being filed as Exhibit 10.1 to this Form 8-K and is incorporated herein by reference.

LONG-TERM INCENTIVE COMPENSATION FOR 2004-2006

It was determined that under the 2004-2006 Long-Term Incentive Plan (the "LTIP"), executive officers earned the following "banked" amounts which are not payable until 2007:

Gordon D. Harnett \$903,825
Richard J. Hipple \$95,602
John D. Grampa \$247,200
Daniel A. Skoch \$265,740

These "banked" amounts were based on achieving pre-established financial objectives for cumulative operating profit during 2004 and 2005. Performance in 2006 will determine the amount of any final payment under the 2004-2006 LTIP. An amount is payable only if the executive is employed with the Company as of December 31, 2006 with an exception of retirement. In view of Mr. Harnett's intention to retire as noted in Item 5.02 below, he will receive the higher of the "banked" amount or a pro-rated portion of the final amount which will be payable in 2007. The 2004-2006 Long-Term Incentive Plan is being filed as Exhibit 10.2 to this Form 8-K and is incorporated herein by reference.

SPECIAL AWARD

In 2002, the Company discontinued its Supplemental Retirement Benefit Plan for the Chief Executive Officer as well as a few other participants in exchange for amounts paid in settlement of the Company's obligation. As a result, their retirement benefit is limited to the amount provided by the qualified pension plan. At its February 7, 2006 meeting, consistent with the actions taken in prior years as previously reported, the Committee exercised its discretion to authorize a special award in lieu of a supplemental plan to the Chief Executive Officer in the amount of \$597,425. Messrs. Grampa and Skoch had received similar awards in the amounts of \$38,311 and \$79,544, respectively, payable on January 2, 2006.

EXECUTIVE DEFERRED COMPENSATION PLAN II

The Committee adopted an amendment to the Executive Deferred Compensation Plan II. The amendment provides more flexibility to the plan, i.e., allowing participants to move investments from one fund to another on a quarterly basis. Amendment No. 1 is being filed as Exhibit 10.3 to this Form 8-K and is included herein by reference.

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

On February 7, 2006, Brush Engineered Materials Inc. issued a press release announcing that Gordon D. Harnett, Chairman of the Board and Chief Executive Officer, intends to retire in May 2006. The text of the press release is included as Exhibit 99.1 to this Form 8-K.

Item 9.01 Financial Statements and Exhibits.

10.1 2006 Management Performance Compensation Plan

10.2 2004-2006 Long-Term Incentive Plan

10.3 Amendment No. 1 to the Executive Deferred Compensation Plan II

99.1 Press release, dated February 7, 2006, issued by Brush Engineered Materials Inc.

The press release issued February 7, 2006 is furnished herewith as Exhibit No. 99.1 to this Report, and shall not be deemed filed for the purposes of Section 18 of the Exchange Act.

SIGNATURES

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

Brush Engineered Materials Inc.

February 8, 2006

By: Michael C. Hasychak

Name: Michael C. Hasychak

Title: Vice President, Treasurer and Secretary

Exhibit Index

Exhibit No.	Description
10.1	Brush Engineered Materials Inc. 2006 Management Performance Compensation Plan
10.2	Brush Engineered Materials Inc. 2004-2006 Long-Term Incentive Plan
10.3	Amendment No. 1, dated as of February 7, 2006 to the Executive Deferred Compensation Plan II
99.1	Press Release, dated February 7, 2006, issued by Brush Engineered Materials Inc.

**BRUSH ENGINEERED MATERIALS INC. and SUBSIDIARIES
MANAGEMENT PERFORMANCE COMPENSATION PLAN
2006 PLAN YEAR**

(as adopted February, 2006)

I. INTRODUCTION

The Management Performance Compensation Plan (“the Plan”) provides incentive compensation to eligible employees based principally on annual financial performance. Plan awards have a significant portion based on Company and/or Business Unit performance (“financial performance”), and, a component that recognizes individual and combined contributions toward personal/team objectives (“Personal/Team Performance”).

II. DEFINITIONS

Plan Year:

The fiscal year for which the Company’s Business Unit performance, and any Plan awards are calculated.

Business Unit Performance:

The Executive Staff will designate the Business Units/Subsidiaries that are eligible for participation in the Plan for the Plan Year.

Each business unit has defined financial performance measures, which have in turn been approved by the Organization and Compensation Committee of the Board and/or the Executive Staff. These measures are expressed as a Minimum, Target and Maximum. Plan Awards include a “Financial Performance Component” based on the Business Unit performance.

Personal/Team Performance:

An assessment is made of an individual’s achievements and his/her contributions to work/project teams during the Plan Year. This assessment is expressed as a percentage of base compensation. The “Personal/Team Performance” component is distinct from the “Financial Performance” component.

Operating Profit (“OP”):

Profit or loss, before interest and taxes, and for domestic and international operations. Operating Profit will include any special write-off or accounting charge and accrued performance or incentive compensation.

Working Capital:

This is a monthly calculation based on Business Unit/Subsidiary worldwide accounts receivable and FIFO inventory divided by annualized worldwide sales (current month plus prior two months annualized). The result being working capital as a percent of sales. At the end of the year the average of the twelve monthly, annualized sales numbers and twelve monthly working capital numbers (A/R and inventory) are calculated and a percent to sales is calculated based on the averages for the twelve periods. This twelve-month average is the basis for the incentive metric for working capital management.

Other Metrics:

From time to time, other metrics will be adopted that are aligned with a Business Unit’s strategy and market challenges. These metrics will be defined and tracked by the corporate accounting department, subject to approval by the Executive Staff.

Base Compensation:

The participant’s annual base salary in effect on September 30 of the Plan Year.

III. PARTICIPATION

At the beginning of the Plan Year, the Executive Staff will identify exempt, salaried employees whose responsibilities affect progress on critical issues facing the Company. Those individuals selected by the Executive Staff will be notified of their participation in the Plan, their performance compensation grade and performance compensation opportunity, and their applicable Business Unit designation.

Following the beginning of the Plan Year, the Executive Staff may admit new hires or individuals who are promoted or assigned additional and significant responsibilities. The Executive Staff may also alter performance compensation grade assignments to reflect changed responsibilities of participants during the Plan Year.

An employee who replaces or otherwise assumes the job functions or role of an employee, does not automatically assume the plan participation that had applied to the incumbent. Rather, participation by the new or replacing employee must be individually considered and approved.

Employees who are designated as participants before April 1 of the Plan year are eligible for full participation. Participants who are newly employed on or after April 1 and before July 1 are eligible for half of any award available for Personal/Team and Financial (Business Unit and/or Company) performance.

Participants who transfer from the Exempt Salaried Performance Compensation Plan to the Management Performance Compensation Plan on or after April 1 and before July 1 are eligible for full participation in the Personal/Team performance component and for half participation in the Financial (Business Unit and/or Company) performance component. Their eligibility under the Exempt Salaried Performance Compensation Plan ceases for the Plan Year.

Changes in performance compensation grade assignments will result in prorated participation in awards.

The eligibility of employees hired or with changed job responsibilities after June 30 will not be considered until a possible, subsequent Plan Year.

Normally, employees who are participants in any other annual incentive, commission or performance compensation plan are not eligible. The Executive Staff may consider prorated participation under special circumstances.

With two exceptions, participants must be employed on the last day of the Plan Year in order to be eligible for any performance compensation award. For a participant who becomes eligible for and who elects a severance option under the Chronic Beryllium Disease Policy as amended, any award under the Plan will be prorated to the beginning of the month after the employee exercises the severance option. The second exception pertains to retirement under a Company pension plan, in which case, any award will be prorated to the beginning of the month following the employee’s retirement date.

Eligible employees who have been on a leave of absence in excess of 13 weeks during the plan year will have their award reduced on a pro-rata basis to reflect their actual contribution.

IV. PERFORMANCE COMPENSATION OPPORTUNITY FOR FINANCIAL PERFORMANCE

The Organization and Compensation Committee of the Board of Directors will establish Minimum, Target and Maximum levels for each financial measurement.

The Executive Staff will assign participants to a specific Business Unit/Subsidiary for the performance compensation opportunity for Financial Performance.

Below is a summary of the performance compensation opportunity for the Plan Year.

Grade	Financial Component	Personal Team
D	20%	0-14%
E	10%	0-14%

Opportunity for participants in Grades A, B and C will be individualized as determined by the Organization and Compensation Committee or the Executive Staff.

The “Financial Performance” component of awards (Business Unit, Company, sub-unit, and/or other measurement), will begin once the Minimum level has been attained for Operating Profit. None of the of the other financial components will result in an award unless the Minimum level for Operating Profit has been met. Performance, which reaches or exceeds the Maximum value of the measure, will result in awards at 200 percent of Target opportunity. Award amounts for levels of achievement between Minimum and Target and between Target and Maximum will be prorated according to the level of achievement.

Financial awards will be prorated for transfers between units (Business Unit and/or Company) according to the length of service by months in each unit during the Plan Year.

V. PERFORMANCE COMPENSATION OPPORTUNITY for PERSONAL/TEAM PERFORMANCE

Business Units have defined an Operating Profit “threshold” as the level of business performance, which must be achieved, in

order to make available a bonus opportunity to recognize the Personal/Team performance. Meeting this threshold results in a Personal/Team opportunity. This threshold may be different than the Minimum Operating Profit level necessary to create a Financial Performance opportunity.

No awards for Personal/Team performance will be paid if the established Threshold is not met.

The “total pool” for Personal/Team performance of participants would typically average about 10 percent of the base compensation of participants, if the Operating Profit metric meets or exceeds Target. Performance below Target could result in the total pool being reduced to a lesser amount. The Business Unit Executive and the Executive Staff will decide allocation of the pool among eligible participants based on their performance throughout the plan year relative to achieving established goals and objectives.

VI. PAYMENT

Distribution of any performance compensation awards under the Plan to participants will be no later than March 15 of the year following the Plan Year.

VIII. GENERAL PROVISIONS

The Executive Staff has authority to make administrative decisions in the interests of the Plan.

The Board of Directors, through its Organization and Compensation Committee, shall have final and conclusive authority for interpretation, application, and possible modification of this Plan or established targets. The Board of Directors reserves the right to amend or terminate the Plan at any time. Subject to the preceding sentences, any determination by the Company’s independent accountants shall be final and conclusive as it relates to the calculation of financial results.

This Plan is not a contract of employment.

**Brush Engineered Materials Inc. and Subsidiaries
Long-Term Incentive Plan (LTIP)**

**Performance Period January 1, 2004
through December 31, 2006**

I. Introduction

The Long-Term Incentive Plan (LTIP) provides incentive compensation to eligible employees based primarily on financial performance over multi-year periods.

II. Definitions

Performance Period : January 1, 2004 through December 31, 2006.

Business Unit Performance : The Plan has designated the following Business Units for the Performance Period:

Corporate

Alloy

Be Products

TMI

WAM

Each business unit has defined economic profit measures which have been approved by the Organization and Compensation Committee of the Board of Directors. These measures are expressed as a threshold, target and maximum.

Base Compensation : The participant's annual base salary in effect at the start of the Performance Period.

III. Participation

Participants include only those individuals who are approved by the Organization and Compensation Committee of the Board to participate.

Following the beginning of the Performance Period, new hires or individuals who are promoted with significant additional responsibilities prior to July 1, 2004, may be eligible for participation. Such participation must be confirmed by the Organization and Compensation Committee of the Board. The eligibility of employees hired after June 30, 2004, will not be considered until the subsequent Performance Period.

Participants must be employed on the last day of the Performance Period in order to be eligible for an award. If a participant retires under a Company pension plan, any award will be prorated based on time employed during the Performance Period.

Should a participant die or become permanently disabled or should there occur a Parent Company Change in Control, the participant (or their spouse or estate) shall receive full payment of the award for the entire Performance Period at the Target level.

IV. Performance Award Opportunity

The Organization and Compensation Committee of the Board of Directors will establish Threshold, Target and Maximum financial target levels for each Business Unit.

The award opportunity for each eligible participant will be approved by the Organization and Compensation Committee.

For the Performance Period 2004 through 2006, your opportunity will be double (2x) your approved target opportunity.

Awards will commence once the Minimum level has been attained. 100% of the opportunity will be awarded at Target and 150% will be awarded at Maximum. Award amounts for levels of achievement between Threshold and Target and between Target and Maximum will be prorated according to the level of achievement.

LTIP targets have been established on the basis of cumulative operating profit. The targets are attached hereto as Exhibit A.

Awards will be prorated for transfers between business units and/or corporate during the Performance Period, assuming grade level remains the same. Such proration will be determined by the length of service in each unit during the Performance Period.

V. Payment

At the conclusion of year two (December 31, 2005), 66% of the total performance award opportunity will be “banked” in accordance with the two year targets attached hereto as Exhibit B. The amount “banked” will be guaranteed for payment but only at the conclusion of the performance period (which requires continued employment through the entire performance period). The “banked” amount will not be negatively impacted by the final performance calculation at the conclusion of the three year performance period. If the final three year performance calculation exceeds the two year “banked” calculation, then the greater amount will be paid. Please see Exhibit C attached hereto.

This is a cash plan and, as such, payouts will be made in cash to participants no later than March 15 of the year following the Performance Period.

VI. General Provisions

The Board of Directors, through its Organization and Compensation Committee, shall have final and conclusive authority for interpretation, application and possible modification of this Plan or its established targets. The Board of Directors reserves the right to amend or terminate the Plan at any time.

This plan is not a contract of employment.

**FIRST AMENDMENT
TO
BRUSH ENGINEERED MATERIALS INC.
EXECUTIVE DEFERRED COMPENSATION PLAN II**

The Brush Engineered Materials Inc. Executive Deferred Compensation Plan II (the "Plan"), adopted on December 7, 2004 for years beginning after December 31, 2004, is hereby amended effective February 7, 2006, in the respects hereinafter set forth.

1. Section 5.2 of the Plan is amended and restated to provide as follows:

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 Pension 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. Beginning April 1, 2006, a Participant shall be permitted to change his investment elections 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 Pension Investment Committee shall determine the investment fund or funds to be used in determining investment return for that portion of his Account.

2. The first sentence of Section 8.5 of the Plan is amended to provide as follows:

Subject to the provisions of Section 8.12, the Company reserves the right to amend, modify, suspend or terminate the Plan at any time by action of its Board or of the Organization and 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.

* * *

IN WITNESS WHEREOF, Brush Engineered Materials Inc. has caused this Amendment to be executed by its duly authorized officer this ____ day of February, 2006.

BRUSH ENGINEERED MATERIALS INC. By ____Name:

Title:

**BRUSH ENGINEERED MATERIALS' CHAIRMAN AND CHIEF EXECUTIVE OFFICER ANNOUNCES
INTENTION TO RETIRE IN
MAY 2006**

FOR IMMEDIATE RELEASE

Cleveland, Ohio – February 7, 2006 – Brush Engineered Materials Inc. (NYSE-BW) announced today that Chairman and Chief Executive Officer Gordon D. Harnett, age 63, has decided to retire effective with the Company's annual meeting in May 2006. Mr. Harnett will also retire from the Board of Directors and will not stand for re-election at the annual meeting. Mr. Harnett became Chairman and Chief Executive Officer of Brush Engineered Materials in January 1991.

The Board of Directors intends to select President and Chief Operating Officer Richard (Dick) Hipple, age 53, to succeed Mr. Harnett as President, Chief Executive Officer and Chairman upon Mr. Harnett's retirement. The Board has nominated Mr. Hipple to stand for election to the Board of Directors at the Annual Meeting of Shareholders and expects to elect him as Chairman of the Board upon Mr. Harnett's retirement from the Board.

Commenting on the announcement, Gordon Harnett stated that "Today's announcement reflects a very natural leadership transition process and the great confidence that I and the Board of Directors have in Dick Hipple and the next generation of leadership at Brush Engineered Materials."

"When Dick was elevated to the position of President and Chief Operating Officer in early 2005, it was with the intention to prepare for this transition. Over the last several years we have successfully expanded and broadened our revenue base, improved our operational efficiency, reduced overhead and lowered our debt. These benefits will continue to unfold, and the leadership team is stronger than it ever has been and deserves the opportunity to step forward. Dick and I have worked together effectively as partners leading the Company over the past several years, and I expect this transition to be absolutely seamless."

John Sherwin, Jr., Lead Director, commented that "Gordon Harnett has provided outstanding leadership to the Company during an exciting and challenging time in its history. The Company's return to profitability is in large part a reflection of Mr. Harnett's hard work and dedication. He has made an enormous contribution in transforming the Company to a global leader in high reliability engineered materials while simultaneously increasing shareholder value."

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

FOR FURTHER INFORMATION, PLEASE CONTACT:

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