

BRUSH ENGINEERED MATERIALS INC

Form DEF 14A

March 25, 2010

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

**SCHEDULE 14A**

(Rule 14a-101)

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by

**Rule 14a-6(e)(2))  Definitive Proxy Statement  Definitive Additional Materials**

Soliciting Material Pursuant to §240.14a-12

**BRUSH ENGINEERED MATERIALS INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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**Brush Engineered Materials Inc.  
6070 Parkland Blvd.  
Mayfield Heights, Ohio 44124**

**Notice of Annual Meeting of Shareholders**

The annual meeting of shareholders of Brush Engineered Materials Inc. will be held at the Clarion Hotel, 26300 Chagrin Blvd., Beachwood, Ohio 44122 on May 5, 2010 at 11:00 a.m., local time, for the following purposes:

- (1) To elect four directors, each to serve for a term of three years and until a successor is elected and qualified;
- (2) To ratify Ernst & Young LLP as the independent registered public accounting firm for Brush Engineered Materials Inc. for the year 2010; and
- (3) To transact any other business that may properly come before the meeting.

Shareholders of record as of the close of business on March 10, 2010 are entitled to notice of the meeting and to vote at the meeting or any adjournment or postponement of the meeting.

Michael C. Hasychak  
Secretary

March 25, 2010

**Important your proxy is enclosed.**

**Please sign, date and return your proxy in the accompanying envelope.**

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**BRUSH ENGINEERED MATERIALS INC.  
6070 Parkland Blvd.  
Mayfield Heights, Ohio 44124**

**PROXY STATEMENT  
March 25, 2010**

**GENERAL INFORMATION**

Your Board of Directors is furnishing this proxy statement to you in connection with our solicitation of proxies to be used at our annual meeting of shareholders to be held on May 5, 2010. The proxy statement is being mailed to shareholders on March 25, 2010.

**Registered Holders.** If your shares are registered in your name, you may vote in person or by proxy. If you decide to vote by proxy, you may do so by telephone, over the Internet or by mail.

*By telephone.* After reading the proxy materials and with your proxy card in front of you, you may call the toll-free number 1-800-560-1965, using a touch-tone telephone. You will be prompted to enter the last four digits of your Social Security Number or Tax Identification Number. Then follow the simple instructions that will be given to you to record your vote.

*Over the Internet.* After reading the proxy materials and with your proxy card in front of you, you may use a computer to access the web site <http://www.eproxy.com/bw>. You will be prompted to enter the last four digits of your Social Security Number or Tax Identification Number. Then follow the simple instructions that will be given to you to record your vote.

*By mail.* After reading the proxy materials, you may mark, sign and date your proxy card and return it in the enclosed prepaid and addressed envelope.

The Internet and telephone voting procedures have been set up for your convenience and have been designed to authenticate your identity, allow you to give voting instructions and confirm that those instructions have been recorded properly. Without affecting any vote previously taken, you may revoke your proxy by delivery to us of a new, later dated proxy with respect to the same shares, or giving written notice to us before or at the annual meeting. Your presence at the annual meeting will not, in and of itself, revoke your proxy.

**Participants in the Savings and Investment Plan and/or the Payroll Stock Ownership Plan ( PAYSOP ).** If you participate in the Savings and Investment Plan and/or the PAYSOP, the independent Trustee for each plan, Fidelity Management Trust Company, will vote your plan shares according to your voting directions. You may give your voting directions to the plan Trustee in any one of the three ways set forth above. If you do not return your proxy card or do not vote over the Internet or by telephone, the Trustee will not vote your plan shares. Each participant who gives the Trustee voting directions acts as a named fiduciary for the applicable plan under the provisions of the Employee Retirement Income Security Act of 1974, as amended.

**Nominee shares.** If your shares are held by a bank, broker, trustee or some other nominee, that entity will give you separate voting instructions.

At the close of business on March 10, 2010, the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting, we had outstanding and entitled to vote 20,638,247 shares of common stock.

Each outstanding share of common stock entitles its holder to one vote on each matter brought before the meeting. Under Ohio law, shareholders have cumulative voting rights in the election of directors, provided that the shareholder gives not less than 48 hours notice in writing to the President, any Vice President or the Secretary of Brush Engineered Materials Inc. that the shareholder desires that voting at the election be cumulative, and provided further that an announcement is made upon the convening of the meeting informing shareholders that notice requesting cumulative voting has been given by the shareholder. When cumulative voting applies, each share has a number of votes equal to the number of directors to be elected, and a

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shareholder may give all of the shareholder's votes to one nominee or divide the shareholder's votes among as many nominees as he or she sees fit. Unless contrary instructions are received on proxies given to us, in the event that cumulative voting applies, all votes represented by the proxies will be divided evenly among the candidates nominated by the Board of Directors, except that if voting in this manner would not be effective to elect all the nominees, the votes will be cumulated at the discretion of the Board of Directors so as to maximize the number of the Board of Directors' nominees elected.

In addition to the solicitation of proxies by the use of the mails, we may solicit the return of proxies in person and by telephone, facsimile or e-mail. We will request brokerage houses, banks and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of shares and will reimburse them for their expenses. We will bear the cost of the solicitation of proxies.

At the annual meeting, the inspectors of election appointed for the meeting will tabulate the results of shareholder voting. Under Ohio law, our articles of incorporation and our code of regulations provide that, properly signed proxies that are marked "abstain" or are held in "street name" by brokers and not voted on one or more of the items before the meeting will, if otherwise voted on at least one item, be counted for purposes of determining whether a quorum has been achieved at the annual meeting. Votes withheld in respect of the election of directors will not be counted in determining the election of directors. Abstentions and broker non-votes will not affect the vote against Proposal 2.

If you sign, date and return your proxy card but do not specify how you want to vote your shares, your shares will be voted for the election of all the Director nominees and for the ratification of the appointment of the independent registered public accounting firm.



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**1. ELECTION OF DIRECTORS**

Our articles of incorporation and code of regulations provide for three classes of directors whose terms expire in different years. At the present time, it is intended that proxies will be voted for the election of Joseph P. Keithley, Vinod M. Khilnani, William R. Robertson and John Sherwin, Jr.

**Your Board of Directors recommends a vote for these nominees.**

If any of these nominees becomes unavailable, it is intended that the proxies will be voted as the Board of Directors determines. We have no reason to believe that any of the nominees will be unavailable. The four nominees receiving the greatest number of votes will be elected as directors of Brush Engineered Materials Inc.

The following sets forth information concerning the nominees and the directors whose terms of office will continue after the meeting:

**Directors Whose Terms End in 2010**

**Joseph P. Keithley**, Chairman, Chief Executive Officer and President, Keithley Instruments, Inc. (Electronic test and measurement products). Mr. Keithley has been Chairman of the Board of Keithley Instruments, Inc. since 1991 and a member of its Board of Directors since 1986. He has served as Chief Executive Officer of Keithley Instruments, Inc. since November 1993 and as its President since May 1994. He has also served on the Board of Directors of Nordson Corporation since 2001. Mr. Keithley is 61 years old and has been a director of Brush Engineered Materials since 1997. Mr. Keithley brings an extensive, broad-based business background from his leadership roles at Keithley Instruments, Inc. to his role on our Board of Directors. Among other things, Mr. Keithley draws upon his extensive knowledge in the global semiconductor, fiber optics, telecommunications and electronics industries garnered while at Keithley Instruments, Inc.

**Vinod M. Khilnani**, Chairman, Chief Executive Officer and President, CTS Corporation (Electronic components and accessories). Mr. Khilnani was appointed Chairman of CTS in May of 2009. He has served as President and Chief Executive Officer of CTS Corporation since July 2007. Prior to that time, he served as Senior Vice President and Chief Financial Officer since May 2001. Mr. Khilnani is 57 years old and has been a director of Brush Engineered Materials since February 2009. As the Chairman, Chief Executive Officer and President of CTS Corporation and its former Chief Financial Officer, Mr. Khilnani offers a wealth of management experience and business knowledge regarding operational, financial and corporate governance issues, as well as extensive international experience with CTS global operations.

**William R. Robertson**, Retired Partner, Kirtland Capital Partners (Private equity investments). Mr. Robertson retired as Partner of Kirtland Capital Partners on December 31, 2006. Prior to his retirement, he was a Consulting Partner since August 2005 and from September 1997 through August 2005, he was a Managing Partner of Kirtland Capital. He was President and a director of National City Corporation (Diversified financial holding company) from October 1995 until July 1997. He also served as Deputy Chairman and a director from August 1988 until October 1995. Mr. Robertson was appointed to Huntington Bancshares Inc.'s Board of Directors on September 14, 2009. Mr. Robertson is also a member of the Board of Managers of the Prentiss Foundation, an emeritus member of the Board of Trustees of the Cleveland Museum of Art and serves as a director of Hartland & Co. Mr. Robertson is 68 years old and has been a director of Brush Engineered Materials since 1997. With his background and expertise in private equity and banking, Mr. Robertson brings a unique and valuable perspective on the capital markets and acquisitions to our Board of Directors.

**John Sherwin, Jr.**, President, Mid-Continent Ventures, Inc. (Venture capital company). Mr. Sherwin has been President of Mid-Continent Ventures, Inc. during the past five years. Mr. Sherwin is a director of John Carroll University, an executive in residence at Lakeland Community College, an advisor to Shorebank Cleveland and a trustee of The Cleveland Clinic Foundation. Mr. Sherwin is 71 years old and has been a director of Brush Engineered Materials since 1981 and the Lead Director since 2005. Mr. Sherwin brings extensive business and governance experience to our Board of Directors, including a deep understanding of the Company gained in his 29 years of service on the Board of Directors, positioning him well to serve as our Lead Director.

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**Directors Whose Terms End in 2011**

**Albert C. Bersticker**, Retired Chairman and Chief Executive Officer, Ferro Corporation (Paint, varnishes, lacquers, enamels and allied products). Mr. Bersticker had served as Non-executive Chairman of Oglebay Norton Company (Mining, processing and distributing limestone, lime and industrial sand) from May 2003 until January 2005. Mr. Bersticker was Chairman of Ferro Corporation from February 1996 and retired in 1999. He served as Chief Executive Officer of Ferro Corporation from 1991 until January of 1999 and as President from 1988 until February 1996. He also had served as Secretary, Treasurer and a member of the Board of Directors of St. John's Medical Center in Jackson, Wyoming until January 2005. Mr. Bersticker is 75 years old and has been a director of Brush Engineered Materials since 1993. With his background as the former Chairman and Chief Executive Officer of Ferro Corporation and as the Non-executive Chairman of Oglebay Norton Company, Mr. Bersticker brings extensive experience in managing a large, complex global organization to our Board of Directors.

**William G. Pryor**, Retired President, Van Dorn Demag Corporation, Former President and Chief Executive Officer, Van Dorn Corporation (Plastic injection molding equipment). Mr. Pryor was President of Van Dorn Demag Corporation from 1993 and retired in 2002. He had also served as President and Chief Executive Officer of Van Dorn Corporation, predecessor to Van Dorn Demag Corporation. Mr. Pryor served on the Board of Directors of Oglebay Norton Company from 1997 until January 2005. Mr. Pryor is 70 years old and has been a director of Brush Engineered Materials since 2003. Mr. Pryor's experience at the Van Dorn Corporation and Oglebay Norton Company provides our Board of Directors with knowledge on a wide range of operational and manufacturing issues facing large industrial companies such as Brush Engineered Materials Inc.

**N. Mohan Reddy, Ph.D.**, Dean and Albert J. Weatherhead III Professor of Management, Weatherhead School of Management, Case Western Reserve University. Dr. Reddy was appointed Dean of the Weatherhead School of Management, Case Western Reserve University in December 2006 and was named Albert J. Weatherhead III Professor of Management, effective January 2007. Prior to that, Dr. Reddy had been Associate Professor of Marketing since 1991 and Keithley Professor of Technology Management from 1996 to 2006 at the Weatherhead School of Management, Case Western Reserve University. Dr. Reddy has served on the Board of Directors of Keithley Instruments, Inc. since 2001. Dr. Reddy also serves as consultant to firms in the electronic and semiconductor industries, primarily in the areas of product and market development. Dr. Reddy is 56 years old and has been a director of Brush Engineered Materials since 2000. Dr. Reddy's knowledge of industrial marketing, technology development and extensive global knowledge in the electronic and semiconductor industries provides valuable insight to our Board of Directors.

**Directors Whose Terms End in 2012**

**Richard J. Hipple**, Chairman, President and Chief Executive Officer, Brush Engineered Materials Inc. In May 2006, Mr. Hipple was named Chairman of the Board and Chief Executive Officer of Brush Engineered Materials Inc. He has served as President since May 2005 and as Chief Operating Officer from May 2005 until May 2006. Mr. Hipple was President of Alloy Products from May 2002 until May 2005. He joined the Company in July 2001 as Vice President of Strip Products and served in that position until May 2002. Prior to joining Brush Engineered Materials, Mr. Hipple was President of LTV Steel Company, a business unit of The LTV Corporation, an integrated steel producer and metal fabricator. Mr. Hipple has served on the Board of Directors of Ferro Corporation since June of 2007. Mr. Hipple is 57 years old. Mr. Hipple's broad experience and deep understanding of the Company and the materials business, combined with his drive for innovation and excellence, positions him well to serve as our Chairman, President and Chief Executive Officer.

**William B. Lawrence**, Former Executive Vice President, General Counsel and Secretary, TRW, Inc. (Advanced technology products and services). Prior to the sale of TRW, Inc. to Northrop Grumman Corporation in December

2002, Mr. Lawrence served as TRW's Executive Vice President, General Counsel and Secretary since 1997 and held various other executive positions at TRW since 1976. Mr. Lawrence also has served on the Board of Directors of Ferro Corporation since 1999. Mr. Lawrence is 65 years old and has been a director of Brush Engineered Materials since 2003. Mr. Lawrence's background as an Executive Vice President, General Counsel and Secretary of TRW, Inc. and as a director at Ferro Corporation provides him

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with the knowledge and experience to address the complex legislative, governance and financial issues facing global companies today.

**William P. Madar**, Retired Chairman of the Board and Former Chief Executive Officer, Nordson Corporation (Industrial application equipment manufacturer). Mr. Madar retired as Chairman of the Board of Nordson Corporation effective March 2004. He had been Chairman since 1997. Prior to that time, he served as Vice Chairman of Nordson Corporation from August 1996 until October 1997 and as Chief Executive Officer from February 1986 until October 1997. From February 1986 until August 1996, he also served as Nordson Corporation's President. Mr. Madar has also served on the Board of Directors of Nordson Corporation since 1985. Mr. Madar is 70 years old and has been a director of Brush Engineered Materials since 1988. Through his roles at Nordson Corporation as Chairman and Chief Executive Officer, Mr. Madar has demonstrated leadership capability and extensive knowledge of complex financial and operational issues facing large global organizations.

**Craig S. Shular**, Chairman, Chief Executive Officer and President, GrafTech International Ltd. (Electrical industrial apparatus). Mr. Shular was elected Chairman of the Board of GrafTech International in February 2007. He has served as Chief Executive Officer and a director since January 2003 and as President since May 2002. From August 2001 until May 2002, he served as Executive Vice President of GrafTech's largest business, Graphite Electrodes. Mr. Shular joined GrafTech as its Vice President and Chief Financial Officer in January 1999 and assumed the additional duties of Executive Vice President, Electrode Sales and Marketing in February 2000 until August 2001. Mr. Shular serves on the Board of Directors of Junior Achievement of Greater Cleveland. Mr. Shular is 57 years old and has been a director of Brush Engineered Materials since May 2008. As the Chairman, Chief Executive Officer and President and former Chief Financial Officer of GrafTech International Ltd., Mr. Shular brings a breadth of financial and operational management experience and provides the Board with a perspective of someone with all facets of a global enterprise.

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**CORPORATE GOVERNANCE; COMMITTEES OF THE BOARD OF DIRECTORS**

We have adopted a Policy Statement on Significant Corporate Governance Issues and a Code of Conduct Policy in compliance with New York Stock Exchange and Securities and Exchange Commission requirements. These materials, along with the charters of the Audit, Compensation, Governance and Organization and Retirement Plan Review Committees of our Board of Directors, which also comply with applicable requirements, are available on our web site at [www.beminc.com](http://www.beminc.com), or upon request by any shareholder to Secretary, Brush Engineered Materials Inc., 6070 Parkland Blvd., Mayfield Heights, Ohio 44124. We also make our reports on Forms 10-K, 10-Q and 8-K available on our web site, free of charge, as soon as reasonably practicable after these reports are filed with the Securities and Exchange Commission. Any amendments or waivers to our Code of Conduct Policy, Committee Charters and Policy Statement on Significant Corporate Governance Issues will also be made available on our web site. The information on our web site is not incorporated by reference into this proxy statement or any of our periodic reports.

*Director Independence*

The New York Stock Exchange listing standards require that all listed companies have a majority of independent directors. For a director to be independent under the New York Stock Exchange listing standards, the board of directors of a listed company must affirmatively determine that the director has no material relationship with the Company, or its subsidiaries or affiliates, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company, or its subsidiaries or affiliates. Our Board of Directors has adopted the following standards, which are identical to those of the New York Stock Exchange listing standards, to assist it in its determination of director independence. A director will be determined *not* to be independent under the following circumstances:

the director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer, of the Company;

the director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(a) the director is a current partner or employee of a firm that is the Company's internal or external auditor; (b) the director has an immediate family member who is a current partner of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or (d) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time;

the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee; or

the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1,000,000, or two percent of such other company's consolidated gross revenues.

Additionally, for purposes of determining whether a director has a material relationship with the Company apart from his or her service as a director, our Board of Directors has deemed the following relationships as categorically immaterial:

the director (or an immediate family member) is a current employee, director or trustee of a tax-exempt organization and the Company's contributions to the organization (excluding Company matching of employee contributions) in any fiscal year are less than \$120,000; or

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the director is a director of a company that has made payments to, or received payments or deposits from, the Company for property, goods or services in the ordinary course of business in an amount which, in any fiscal year, is less than the greater of \$1,000,000, or two percent of such other company's consolidated gross revenues.

Our Board of Directors has affirmatively determined that each of our directors, other than Mr. Hipple, is: independent within the meaning of that term as defined in the New York Stock Exchange listing standards; a non-employee director within the meaning of that term as defined in Rule 16b-3(b)(3) promulgated under the Securities Exchange Act of 1934 (the Exchange Act); and an outside director within the meaning of that term as defined in the regulations promulgated under section 162(m) of the Internal Revenue Code of 1986.

*Charitable Contributions*

Within the last three years, we have made no charitable contributions during any single fiscal year to any charity in which an independent director serves as an executive officer, of over the greater of \$1 million or 2% of the charity's consolidated gross revenues.

*Non-management Directors*

Our Policy Statement on Significant Corporate Governance Issues provides that the non-management members of the Board of Directors will meet during each regularly scheduled meeting of the Board of Directors. Presently Mr. Sherwin is the lead non-management director.

In addition to the other duties of a director under the Corporation's Board Governance Principles, the Lead Director, in collaboration with the other independent directors, is responsible for coordinating the activities of the independent directors and in that role will:

- chair the executive sessions of the independent directors at each regularly scheduled meeting;
- make recommendations to the Board Chairman regarding the timing and structuring of Board meetings;
- make recommendations to the Board Chairman concerning the agenda for Board meetings, including allocation of time as well as subject matter;
- advise the Board Chairman as to the quality, quantity and timeliness of the flow of information from management to the Board;
- serve as the independent point of contact for shareholders wishing to communicate with the Board other than through management;
- interview all Board candidates, and provide the Governance and Organization Committee with recommendations on each candidate;
- maintain close contact with the Chairman of each standing committee and assist in ensuring communications between each committee and the Board;
- lead the Chief Executive Officer evaluation process; and



be the ombudsman for the Chief Executive Officer to provide two-way communication with the Board.

*Board Communications*

Shareholders or other interested parties may communicate with the Board of Directors as a whole, the lead non-management director or the non-management directors as a group, by forwarding relevant information in writing to Lead Director, c/o Secretary, Brush Engineered Materials Inc., 6070 Parkland Blvd., Mayfield Heights, Ohio 44124. Any other communication to individual directors or committees of the Board of Directors may be similarly addressed to the appropriate recipients, c/o Secretary, Brush Engineered Materials Inc., 6070 Parkland Blvd., Mayfield Heights, Ohio 44124.

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### *Board Leadership*

Currently, the Chairman of the Board of Directors also serves as the Chief Executive Officer. The Board of Directors has no policy with respect to the separation of these offices. The Board of Directors believes that this issue is part of the succession planning process and that considering this issue each time that it elects the Chief Executive Officer is in the best interests of the Company. The Board of Directors recognizes that there may be circumstances in the future that would lead it to separate these offices, but the Board of Directors believes that there is no reason to do so at this time.

As both a director and officer, Mr. Hipple fulfills a valuable leadership role that the Board believes is essential to the continued success of the Company's business operations at this time. In the Board's opinion, Mr. Hipple's dual role enhances the Company's ability to coordinate long-term strategic direction with important business opportunities at the operational level and enhances his ability to provide insight and direction on important strategic initiatives impacting the Company and its shareholders to both management and the independent directors.

Unless the Chairman of the Board of Directors is an independent director, the independent directors periodically select from among their number, one director who will serve as the lead independent director, which we refer to as the Lead Director. The Lead Director works with the Chairman and Chief Executive Officer and other Board members to provide strong, independent oversight of the Company's management and affairs.

### *Risk Oversight*

Our Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company. The involvement of the full Board of Directors in setting the Company's business strategy is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company's internal auditors. In addition, in setting compensation, the Compensation Committee strives to create incentives that encourage a level of risk-taking behavior consistent with the Company's business strategy. Finally, the Company's Governance and Organization Committee conducts an annual assessment of the Board's structure for compliance with corporate governance and risk management best practices.

### *Audit Committee*

The Audit Committee held six meetings in 2009. We adopted a revised Audit Committee charter in February 2010. The Audit Committee membership consists of Mr. Lawrence, as Chairman, and Messrs. Bersticker, Keithley, Pryor and Shular. Under the Audit Committee Charter, the Audit Committee's principal functions include assisting our Board of Directors in fulfilling its oversight responsibilities with respect to:

the integrity of our financial statements and our financial reporting process;

compliance with ethics policies and legal and other regulatory requirements;

our independent registered public accounting firm's qualifications and independence;

our systems of internal accounting and financial controls; and

the performance of our independent registered public accounting firm and of our internal audit functions.

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We currently do not limit the number of audit committees on which our Audit Committee members may serve. No member of our Audit Committee serves on the audit committee of three or more public companies in addition to ours. The Audit Committee also prepared the Audit Committee report included under the heading *Audit Committee Report* in this proxy statement.

*Audit Committee Expert, Financial Literacy and Independence*

Although our Board of Directors has determined that more than one member of the Audit Committee has the accounting and related financial management expertise to be an audit committee financial expert, as defined by the Securities and Exchange Commission, it has named the Audit Committee Chairman, Mr. Lawrence, as the Audit Committee financial expert. Each member of the Audit Committee is financially literate and satisfies the independence requirements in Section 303A.02 of the New York Stock Exchange listing standards.

*Compensation Committee*

The Compensation Committee held five meetings in 2009. We adopted a revised Compensation Committee charter in February 2010. Its membership consists of Dr. Reddy as Chairman, and Messrs. Khilnani, Madar, Robertson and Sherwin. The committee may, at its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee; provided that such subcommittee has a published charter in accordance with the rules of the New York Stock Exchange. In particular, the committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the committee who are (a) Non-employee Directors for the purposes of Rule 16b-3 of the Exchange Act, as in effect from time to time, and (b) outside directors for the purposes of section 162(m) of the Internal Revenue Code of 1986. The committee's principal functions include:

reviewing and approving executive compensation, including severance payments;

administering and recommending equity and non-equity incentive plans;

overseeing regulatory compliance with respect to compensation matters;

advising on senior management compensation; and

reviewing and discussing the Compensation Discussion and Analysis and Compensation Committee Report.

For additional information regarding the operation of the Compensation Committee, see the *Compensation Discussion and Analysis* in this proxy statement.

*Governance and Organization Committee*

The Governance and Organization Committee held four meetings in 2009. We adopted a revised Governance and Organization Committee charter in February 2010. The Governance and Organization Committee membership consists of Mr. Sherwin, as Chairman, and Messrs. Bersticker, Keithley, Khilnani, Lawrence, Madar, Pryor, Reddy, Robertson and Shular. All the members are independent in accordance with the New York Stock Exchange listing requirements. The committee's principal functions include:

evaluation of candidates for board membership, including any nominations of qualified candidates submitted in writing by shareholders to our Secretary;

making recommendations to the full Board of Directors regarding directors' compensation;

making recommendations to the full Board of Directors regarding governance matters;

overseeing the evaluation of the Board and management of the Company;

assisting in management succession planning; and

reviewing related party transactions.

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As noted above, the Governance and Organization Committee is involved in determining compensation for our directors. The Governance and Organization Committee administers our equity incentive plans with respect to our directors, including approval of grants of stock options and other equity or equity-based awards, and makes recommendations to the Board of Directors with respect to incentive compensation plans and equity-based plans for directors. The Governance and Organization Committee periodically reviews director compensation in relation to comparable companies and other relevant factors. Any change in director compensation must be approved by the Board of Directors. Other than in his capacity as a director, no executive officer other than the Chief Executive Officer participates in setting director compensation. From time to time, the Governance and Organization Committee or the Board of Directors may engage the services of a compensation consultant to provide information regarding director compensation at comparable companies.

### *Nomination of Director Candidates*

The Governance and Organization Committee will consider candidates recommended by shareholders for nomination as directors of Brush Engineered Materials. Any shareholder desiring to submit a candidate for consideration by the Governance and Organization Committee should send the name of the proposed candidate, together with biographical data and background information concerning the candidate, to the Governance and Organization Committee, c/o our Secretary. The Governance and Organization Committee did not receive any recommendation for a candidate from a shareholder or shareholder group as of March 10, 2010.

In recommending candidates to the Board of Directors for nomination as directors, the Governance and Organization Committee's charter requires it to consider such factors as it deems appropriate, consistent with our Policy Statement on Significant Corporate Governance Issues. These factors are as follows:

broad-based business, governmental, non-profit, or professional skills and experiences that indicate whether the candidate will be able to make a significant and immediate contribution to the Board's discussion and decision making in the array of complex issues facing the Company;

exhibited behavior that indicates he or she is committed to the highest ethical standards and the values of the Company;

special skills, expertise, and background that add to and complement the range of skills, expertise, and background of the existing directors;

whether the candidate will effectively, consistently and appropriately take into account and balance the legitimate interests and concerns of all our shareholders and other stakeholders in reaching decisions; and

a global business and social perspective, personal integrity and sound judgment. In addition, directors must have time available to devote to Board activities and to enhance their knowledge of the Company.

The Governance and Organization Committee's evaluation of candidates recommended by shareholders does not differ materially from its evaluation of candidates recommended from other sources.

The Governance and Organization Committee utilizes a variety of methods for identifying and evaluating director candidates. The Governance and Organization Committee regularly reviews the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance and Organization Committee considers various potential candidates for director. Candidates may come to the attention of the Governance and Organization Committee through current Board

members, professional search firms, shareholders or other persons.

A shareholder of record entitled to vote in an election of directors who timely complies with the procedures set forth in our code of regulations and with all applicable requirements of the Exchange Act and the rules and regulations thereunder, may also directly nominate individuals for election as directors at a shareholders meeting. Copies of our code of regulations are available by a request addressed to c/o Secretary.

To be timely, notice of a shareholder nomination for an annual meeting must be received at our principal executive offices not fewer than 60 nor more than 90 days prior to the date of the annual meeting. However, if the date of the meeting is more than one week before or after the first anniversary of the previous year's

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meeting and we do not give notice of the meeting at least 75 days in advance, nominations must be received within 10 days from the date of our notice.

*Retirement Plan Review Committee*

The Retirement Plan Review Committee held three meetings in 2009. Its membership consists of Mr. Keithley, as Chairman, and Messrs. Bersticker, Pryor and Sherwin. Its principal functions include:

reviewing defined benefit pension plans as to current and future costs, funded position, and actuarial and accounting assumptions used in determining benefit obligations;

establishing and reviewing policies and strategies for the investment of defined benefit pension plan assets; and

reviewing investment options offered under employee savings plans and the performance of those investment options.

*Director Attendance*

Our Board of Directors held nine meetings in 2009. All of the directors who were directors in 2009 attended at least 75% of the Board and assigned committee meetings during 2009. Our policy is that directors are expected to attend all meetings including the annual meeting of shareholders. All of our directors who were directors at the time of last year's annual meeting of shareholders attended such meeting.



**Table of Contents****2009 DIRECTOR COMPENSATION**

Annual compensation for non-employee directors for 2009 was comprised of cash compensation, consisting of annual retainer fees, and equity compensation, consisting of restricted stock units. Each of these components is described in more detail below.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards(2) (\$)</b>	<b>Total (\$)</b>
Albert C. Bersticker	66,750(1)	45,017	111,767
Joseph P. Keithley	71,750	45,017	116,767
Vinod M. Khilnani	56,333	145,023(3)	201,356
William B. Lawrence	71,750	45,017	116,767
William P. Madar	61,750	45,017	106,767
William G. Pryor	66,750	45,017	111,767
N. Mohan Reddy	66,750	45,017	111,767
William R. Robertson	61,750	45,017	106,767
John Sherwin, Jr.	81,750	45,017	126,767
Craig S. Shular	67,153(1)	45,017	112,170

The columns entitled **Option Awards** , **Non-Equity Incentive Plan Compensation** , **Change in Pension Value** and **Nonqualified Deferred Compensation Earnings** and **All Other Compensation** to this table have been omitted because no compensation was reportable thereunder.

- (1) Pursuant to the 2006 Non-employee Director Equity Plan (the 2006 Director Plan), Messrs. Bersticker and Shular elected to defer 100% of their compensation in the form of deferred stock units in 2009.
- (2) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for stock awards to each non-employee director. See Note K to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 for the assumptions used in calculating the fair value. Each non-employee director was automatically awarded 2,464 restricted stock units, with a grant date fair value of \$18.27 per share, pursuant to the 2006 Director Plan.
- (3) Mr. Khilnani's stock award includes 8,065 shares of common stock, with a grant date fair value of \$12.40 per share, granted upon appointment to the Board of Directors on February 3, 2009, as described below under **Equity Compensation** .

As of December 31, 2009, the aggregate number of stock options outstanding and the aggregate number of stock awards subject to forfeiture were as follows:

	<b>Stock Options</b>	<b>Restricted Stock Units</b>
Albert C. Bersticker	10,000	2,464

Joseph P. Keithley		2,464
Vinod M. Khilnani		2,464
William B. Lawrence	9,000	2,464
William P. Madar	10,000	2,464
William G. Pryor	9,000	2,464
N. Mohan Reddy		2,464
William R. Robertson		2,464
John Sherwin, Jr.	4,000	2,464
Craig S. Shular		2,464

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**Annual Retainer Fees**

Effective May 7, 2008, non-employee directors receive an annual retainer fee in the amount of \$65,000. On April 1, 2009, the directors' annual retainer fee was reduced by 10%, or \$6,500 annually, due to the global economic crisis. In September 2009, the 10% reduction was eliminated, returning the directors' retainer fee to \$65,000 annually. Non-employee directors who chair a committee receive an additional \$5,000 annually, with the exception of the Chairman of the Audit Committee, who receives an additional \$10,000 annually. The Lead Director receives an additional \$15,000 annually. Members of the Audit Committee, with the exception of the Chairman, receive an additional \$5,000 annually.

**Equity Compensation**

Under the 2006 Director Plan, non-employee directors who continue to serve as a director following an annual meeting of shareholders receive \$45,000 worth of restricted stock units, which will be paid out in common stock at the end of a one-year restriction period unless the participant elects that the shares be received in the form of deferred stock units. These restricted stock units are automatically granted on the day following the annual meeting. The number of restricted stock units granted is equal to \$45,000 divided by the closing price of our common stock on the date of grant. If the calculation results in fractional shares, the shares are rounded up, in accordance with the plan. In the event a new director is elected or appointed, common stock will be granted on the first business day following the election or appointment to the Board of Directors. This grant of common stock will be equal to \$100,000 divided by the closing price of our common stock on the day the director is elected or appointed to the Board of Directors.

**Deferred Compensation**

Non-employee directors may defer all or a part of their annual retainer fees in the form of deferred stock units under the 2006 Director Plan until ceasing to be a member of the Board of Directors. A director may also elect to have restricted stock units or other stock awards made under the 2006 Director Plan deferred in the form of deferred stock units.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information with respect to the beneficial ownership of Brush Engineered Materials common stock by each person known by Brush Engineered Materials to be the beneficial owner of more than 5% of the common stock, by each present director of Brush Engineered Materials, by each of the Chief Executive Officer, Chief Financial Officer and other mostly highly compensated executive officer (each named executive officer or NEO) of Brush Engineered Materials and by all directors and executive officers of Brush Engineered Materials as a group, as of February 12, 2010, unless otherwise indicated. The shareholders listed in the table have sole voting and investment power with respect to shares beneficially owned by them unless otherwise indicated. Shares that are subject to stock options and stock appreciation rights (SAR) that may be exercised within 60 days of February 12, 2010 are reflected in the number of shares shown and in computing the percentage of Brush Engineered Materials common stock beneficially owned by the person who owns those options.

	<b>Number of Shares</b>	<b>Percent of Class</b>
<b>Non-officer Directors</b>		
Albert C. Bersticker	42,821(1)(2)	*
Joseph P. Keithley	20,372(2)	*
Vinod M. Khilnani	10,529(2)	*
William B. Lawrence	16,714(1)(2)	*
William P. Madar	31,215(1)(2)	*
William G. Pryor	16,714(1)(2)	*
N. Mohan Reddy	24,297(2)	*
William R. Robertson	16,503(2)	*
John Sherwin, Jr.	22,641(1)(2)(3)	*
Craig S. Shular	13,434(2)	*
<b><u>Named Executive Officers</u></b>		
Richard J. Hipple	130,178(1)	*
John D. Grampa	94,926(1)	*
Daniel A. Skoch	100,632(1)	*
All directors and executive officers as a group (including the Named Executive Officers) (13 persons)	540,976(4)	2.7%
<b><u>Other Persons</u></b>		
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	1,575,535(5)	7.8%
Keeley Asset Management Corp. 401 South LaSalle Street Chicago, IL 60605	1,205,000(6)	6.0%
Fidelity Management & Research Company 82 Devonshire Street Boston, MA 02109	1,200,000(7)	5.9%
Minneapolis Portfolio Management Group, LLC 80 South 8 <sup>th</sup> Street, Suite 1902 Minneapolis, MN 55402	1,167,278(8)	5.8%

\* Less than 1% of common stock.

- (1) Includes shares covered by outstanding options and SARs exercisable within 60 days as follows: Mr. Hipple 65,700; Mr. Grampa 69,000 and Mr. Skoch 71,000; and options exercisable for each of Messrs. Bersticker and Madar for 10,000; 9,000 for each of Messrs. Lawrence and Pryor; and 4,000 for Mr. Sherwin. The shares for Messrs. Hipple, Grampa and Skoch also include performance restricted shares issued under the 2008-2010 Long-term Incentive Plan (LTIP) in the amounts of 14,609; 4,416 and 4,215, respectively. See the CD&A for further discussion of this plan.

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- (2) Includes deferred shares under the Deferred Compensation Plans for Non-employee Directors as follows: Mr. Bersticker 21,425; Mr. Keithley 17,908; Mr. Khilnani 10,529; Mr. Lawrence 3,852; Mr. Madar 5,974; Mr. Pryor 1,000; Dr. Reddy 19,456; Mr. Robertson 9,789; Mr. Sherwin 7,101; and Mr. Shular 10,970.
- (3) Includes 1,429 shares owned by Mr. Sherwin's children of which Mr. Sherwin disclaims beneficial ownership.
- (4) Includes 247,700 shares subject to outstanding options held by officers and directors and exercisable within 60 days.
- (5) BlackRock, Inc. reported on a Schedule 13G filed with the Securities and Exchange Commission on January 29, 2010, that as of December 31, 2009, it had sole voting and sole dispositive power with respect to 1,575,535 shares.
- (6) Keeley Asset Management Corp., an investment adviser in accordance with Rule 13d-1(b)(ii)(E), reported on a Schedule 13G-A filed with the Securities and Exchange Commission on February 12, 2010, that as of December 31, 2009, it had sole voting and sole dispositive power with respect to 1,205,000 shares.
- (7) Fidelity Management & Research Company, reported on a Schedule 13G filed with the Securities and Exchange Commission on February 16, 2010, that as of December 31, 2009, it had beneficial ownership with respect to 1,200,000 shares.
- (8) Minneapolis Portfolio Management Group, LLC, an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E), reported on a Schedule 13G filed with the Securities and Exchange Commission on February 12, 2010, that as of December 31, 2009, it had sole voting and sole dispositive power with respect to 1,167,278 shares.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors, officers and persons who own 10% or more of our common stock to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission. Directors, officers and 10% or greater shareholders are required by Securities and Exchange Commission regulations to furnish us with copies of all Forms 3, 4 and 5 they file.

Based solely on our review of copies of forms that we have received, and written representations by our directors, officers and 10% or greater shareholders, all of our directors, officers and 10% or greater shareholders complied with all filing requirements applicable to them with respect to transactions in our equity securities during the fiscal year ended December 31, 2009.

**EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Overview**

This overview explains the 2009 outcomes of our various compensation plans for named executive officers (NEOs) and illustrates the linkage between our compensation philosophy and our financial and shareholder return performance.

Our compensation philosophy is targeted at the competitive market median and is designed to attract, motivate and retain the type of executives we need to manage and grow our portfolio of businesses. In addition, our philosophy has a significant pay-for-performance component as reflected in the design of our executive incentive plans and provides opportunities for share ownership to match the interests of our NEOs and shareholders.

During 2009, our financial performance was below minimal expectations, although our share price performance was positive. Specifically, our key measure of financial performance, adjusted operating profit, declined from \$46.5 million in 2008 to a loss of \$19.5 million in 2009. Our share price increased from a

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closing price of \$12.72 on December 31, 2008 to \$18.54 on December 31, 2009, an increase of 45.8%, but still below our closing price of \$37.02 on December 31, 2007.

The impact of our financial and shareholder return performance in 2009 on our executive compensation plans for our NEOs was as follows:

**salaries** We did not increase salaries at the beginning of 2009 because of a lack of clarity going forward in 2009 about the status of the economy in general and our businesses in particular. As we moved through 2009, we elected to decrease salaries for all NEOs by 10% on April 4, 2009. We restored the decreases on September 26, 2009 as the economy and our businesses were beginning to turn around. As a result, salaries were lower in 2009 than 2008 as we did not make up for the 10% salary reduction between April and September;

**Management Performance Compensation Plan (MPCP)** Our financial performance was such that we paid partial annual incentives for 2009 financial performance, primarily based on our relative change in pre-tax return on invested capital (ROIC) performance measured against a peer group and the achievement of individual goals and objectives by our executives. We did not pay for the achievement against targets of our primary goal of adjusted operating profit;

**Long-term Incentive Plan (LTIP)** The LTIP covering the 2007-2009 performance period did not reach minimum threshold performance levels and, as a result, there were no payouts from this plan;

**stock appreciation rights (SAR) and restricted stock grants** We made grants of SAR and time-based restricted stock in February 2009 at a price of \$15.01. Since that time, our share price has increased, meaning the 2009 SAR grant is in-the-money and the restricted share values are higher than the value upon grant; and

**existing equity grants** The increase in our share price during 2009 has caused one of the SAR grants to be in-the-money while others remain out-of-the-money and restricted stock granted in years prior to 2009 to have increased in value, mirroring the experience of our shareholders in 2009.

## **Compensation Philosophy and Objectives**

Our long-standing compensation philosophy has three key objectives:

attract, motivate and retain key executives with the ability to profitably grow our business portfolio;

build a pay-for-performance environment targeted at the middle of the competitive market; and

provide opportunities for share ownership to match the interests of our executives with our shareholders.

We achieved the following objectives in 2009:

we did not need to attract any new NEOs and we retained all of our current NEOs in 2009. The compensation programs with retention aspects include salaries, time-based restricted stock and our various retirement plans;

we created a pay-for-performance environment and motivated our NEOs through the use of incentive plans, including the cash-based MPCP and SAR grants. Our pay-for-performance philosophy is significant in that we only pay incentives when warranted by financial performance as demonstrated by the fact that our MPCP and LTIP plans have paid out only about 50% of the time in the past 10 years. We believe this set of outcomes over



a long time period demonstrates the degree of difficulty of the performance targets associated with the MPCP and LTIP; and

our equity-based plans, including the LTIP, SAR and restricted stock provide share ownership opportunities to our NEOs. We also have a seven-year holding period for restricted stock grants, which begins after the end of the three-year vesting period to ensure continued share ownership.

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Other aspects of our compensation programs designed to help achieve the above objectives include:

salaries are targeted at the market median as defined by comparison with a peer group of companies of comparable size and industry and pay survey data provided by the Compensation Committee's outside consultant;

we provide MPCP payout targets at levels above the market median;

we set performance objectives for the MPCP as follows:

target performance objectives are set at the market median and usually reflect improved performance from the prior year;

minimum performance objectives are set at levels below which we do not pay incentives; and

maximum performance objectives are linked to payouts significantly above the market median;

as part of the MPCP, we also measure our performance against a peer group of companies on a relative basis as well as set subjective, but measurable, individual performance goals that, if met, will result in payment of another part of the competitive total pay package;

our equity grants, including SAR and restricted stock, are targeted to result in payouts at levels below the market median, offsetting the above-market annual incentive opportunities in the MPCP. Share price performance could result in compensation both above and below the targeted levels;

we provide standard and competitive benefits programs, including health, life and other group benefits along with retirement and deferred compensation opportunities and a few executive perquisites; and

we do not have ownership guidelines or requirements for the NEOs. However, our intention is that the extended seven-year ownership period of restricted shares will increase the executives' exposure to a loss of value, should the stock value fall below the price on the date the shares were vested.

Overall, our executive compensation programs are targeted, in total, at the market median, recognizing that individual NEOs may be higher or lower based on experience, individual performance and other factors.

## **Factors Influencing Compensation Decisions**

All the members of the Compensation Committee are independent, non-employee directors. The Committee makes policy and strategy recommendations to the Board and has authority delegated from the Board to:

implement executive pay decisions;

design the base pay, incentive pay, and benefits for the top fourteen executives; and

administer our equity incentive plans.

The Committee met five times in 2009, including two teleconferences, and also took action on one occasion by written consent. Most meetings included an executive session during which management was not present. Most

compensation decisions are finalized in the first quarter of each fiscal year. The Compensation Committee Charter, which discusses the Committee's responsibilities on a more comprehensive basis, is available at [www.beminc.com](http://www.beminc.com).

The Committee determines compensation elements and performance goals for the NEOs. The Committee relies on several resources to accomplish this task, including the services of Pearl Meyer & Partners (PM&P), an independent compensation consultant that was engaged by, and reports directly to the Committee. However, the Committee also approved management's request to use PM&P to help prepare this Compensation, Discussion & Analysis. The Committee determined that providing this limited service to management did not impair PM&P's independence in its services to the Committee. As a result, PM&P provides only executive compensation services to the Company.

The Committee received input from the CEO with respect to salaries, incentives, and total pay for the other NEOs, and input from the other NEOs for the other eleven executives who are part of the Committee's

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responsibility. In addition, the Committee reviews tally sheets of overall compensation element values and totals, primarily to identify any competitive issues, gain an understanding of the relative dollar values of each compensation element and to understand the magnitude of total compensation. Finally, the Committee reviews other business documents such as budgets, financial statements and management reports on our business activities in making its decisions.

***Compensation Consultant and Comparative Pay Data***

The Committee retained the services of PM&P in 2008 to conduct a competitive pay analysis for our top fourteen executives, including the NEOs. In addition, the Committee retained PM&P to review the overall executive incentive structure and make recommendations for changes that would be effective in the 2009 fiscal year. The Committee relied on this information for its decisions in 2009 as well and expects to update the information during 2010.

PM&P based the competitive pay analysis, used to set base salary and total pay targets, on two sources of information. First, PM&P provided information from surveys published by CHIPS (Executive and Senior Management Total Compensation Survey (2007)), Mercer Human Resource Consulting (U.S. Executive Benchmark Database (2007)) and Watson Wyatt Worldwide (Top Management Compensation Survey (2007-08)). Each survey contained several hundred participants. Second, PM&P surveyed a selected peer group of companies.

The Committee used the information collected from the published surveys to determine market median salary and target annual and long-term award amounts to match our pay philosophy. The target for both salary and total direct pay (the sum of salary and target annual and long-term incentives) was the median of the companies represented in the published survey data provided by PM&P. Overall, total compensation was within 5-15% of the median for the NEOs and the total group of fourteen executives reviewed by the Committee when compared to the survey data.

The Committee selected the peer group of companies used in the pay analysis, with PM&P's assistance and input from management, by applying criteria to identify companies of similar size, complexity and in similar/aspirational positions on end users' supply chains, as well as competitors for executive talent. The peer group had:

reported 2007 annual revenue generally between 50% and 200% of our expected revenue for 2009;

business-to-business operations, with sales to other companies rather than the ultimate consumer;

a durable goods manufacturing focus; and

an orientation toward specialty products and advanced materials, with an emphasis on consumer electronics.

The members of the peer group and their 2007 revenue, in millions, were as follows:

<b>Company</b>	<b>Revenue</b>	<b>Company</b>	<b>Revenue</b>
Cabot Corp.	\$ 2,616	RF Micro Devices Inc.	\$ 956
Ferro Corp.	2,205	Kemet Corp.	850
Carpenter Technology	1,954	Integrated Device Technology, Inc.	781
Atmel Corp.	1,639	Ceradyne Inc.	757
Novellus Systems	1,570	Skyworks Solutions Inc.	742
Stepan Co.	1,330	Hutchinson Technology Inc.	716
Hexcel Corp.	1,171	CTS Corp.	686

Minerals Technologies Inc.	1,078	RTI International Metals Inc.	627
Technitrol Inc.	1,027	Coherent Inc.	601
OM Group Inc.	1,022	Haynes International Inc.	560

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The median 2007 peer group revenue was \$989 million, comparable to our 2007 revenue of \$956 million. Cabot and Ferro were included because they are direct competitors for executive talent.

The Committee used the median pay data among CEOs and CFOs of the peer group as an additional checkpoint in determining salaries and targets for annual and long-term awards within a competitive total compensation pay opportunity for the executives. The peer group data showed our CEO and CFO at the 45th and 57th percentiles, respectively, for total compensation, within a competitive range of the market median target.

**Total Compensation Mix for 2009**

Our major direct compensation components consist of salary, an annual cash incentive and equity-based long-term incentives. The following table illustrates the relative pay mix, based on initial award values, for our NEOs if the target levels for the 2009 MPCP are achieved and equity grants were made at target rates. For simplicity and to illustrate the Committee's key goals and objectives, we have only included the major direct pay programs:

Named Executive Officer	Title	Salary	MPCP at Target	Equity	Equity	Total
				Incentive - Performance (Restricted LTIP & SAR)	Incentives - Retention (Restricted Stock)	
Richard J. Hipple	Chairman, President and CEO	23.3%	36.6%	26.7%	13.4%	100.0%
John D. Grampa	Senior VP Finance and CFO	34.5%	31.9%	22.4%	11.2%	100.0%
Daniel A. Skoch	Senior VP Administration	35.1%	30.7%	22.8%	11.4%	100.0%
Dollar-based Average		27.9%	34.5%	25.1%	12.5%	100.0%

Note: The basis for the calculations is the salary that was in place in 2009 for each NEO without taking into account the salary reduction that took place between April and September 2009.

Our long-standing pay-for-performance philosophy has caused the Committee to:

set salaries, a fixed-cash payment, as a smaller part of total compensation for the NEOs;

provide a greater portion of the NEOs' total pay in performance-based pay, including the MPCP and SAR grants. In 2009, SAR grants represented 67% of the equity opportunities offered to the NEOs; and

provide an instrument targeted specifically at retention, time-based restricted stock grants, which represent 33% of the equity opportunities.

Overall, the table illustrates the following:

cash-based pay, as well as short-term pay (salaries and MPCP), is about 62% of the total, with equity-based/long-term oriented pay representing the other 38%; and

fixed pay (salaries and restricted stock) average about 40% of the total versus 60% for performance-based pay.

The pay mixes noted above are different from the market median data derived from the competitive pay analysis as we chose in 2009 to move a portion of the equity grant value into the MPCP, which resulted in a higher proportion of targeted pay comprised of annual incentives and a lower proportion in equity incentives than the typical company. Specifically, we discontinued the LTIP we have had in place for a number of years, which provided pay for three-year financial performance, and shifted 50% of its value to the MPCP with the remaining 50% being split between SAR and restricted stock grants, such that SAR grants represented two thirds of the total equity grant and restricted stock represented one third.

We undertook this change because of the ongoing difficulty of reliably forecasting three-year financial performance. Our lack of precision on this issue resulted in a significant number of prior LTIPs either not paying out at all, indicating performance below the threshold levels, or paying at maximum, often indicating performance well above maximum. We are more confident in our ability to forecast annual financial

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performance through the MPCP, while SAR and restricted stock grants do not require forecasting future financial performance. These changes generally maintained the level of pay-for-performance in our overall executive compensation program.

### **Executive Compensation Elements**

To meet our objectives and reward executives for demonstrating the desired actions and behaviors, we compensate our executive officers through:

salary;

MPCP;

equity awards;

payments upon severance and change-in-control;

retirement and deferred compensation benefits;

health and welfare benefits; and

executive perquisites.

The following is an explanation of the reasons each pay element is included in the total compensation package of an executive; the intended value, targeted competitive level and targeted portion of total compensation for each pay element; the reasons behind that targeted value, competitive level and proportion of total pay; and the interaction, if any, of each pay element with the other pay elements.

### ***Base Salary***

At the beginning of 2009, the Committee elected to defer consideration for any salary increases until mid-year. However, as economic conditions and the Company's financial performance continued to deteriorate in early 2009, management recommended to the Committee, and the Committee approved, the reduction of salaries by 10% indefinitely (including each of the NEOs) as one in a series of Company responses to the economic crisis. The salary reduction began on April 4, 2009 and continued until September 26, 2009, when management and the Committee agreed that salaries could be reinstated at their prior levels. As such, NEO salaries paid in 2009 were less than those paid in 2008.

In late 2009, the Committee considered and approved salary increases, effective as of January 1, 2010, given the ongoing economic recovery and the Company's stronger financial position relative to the prior year. The salaries approved for Messrs. Hipple, Grampa and Skoch for 2010 are \$705,000, \$375,000 and \$345,000. Each executive's salary will be close to the market median as defined in the 2008 PM&P study.

Salaries directly affect the determination of life and disability benefits, which are set as a multiple of salary, and are considered in retirement benefit formulas, including deferral and matching contribution calculations for retirement benefits. Salary is also used as the basis for calculating MPCP awards, as described below, and in calculating payments that may be paid upon a change in control, as described in *Other Potential Post-employment Payments*.

### ***2009 MPCP***



We established annual performance goals for the MPCP including objective financial performance goals and individual goals for 2009. Objective goals are based solely on financial measures, specifically operating profit at the corporate and individual business unit levels and changes in ROIC performance relative to changes among a peer group, which the Committee believes are the Company's key success factors.

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Target incentives as a percent of salary for 2009 were set at 154.5% for Mr. Hipple, 89.5% for Mr. Grampa and 84.5% for Mr. Skoch, reflecting the partial reallocation of equity incentives in 2009. The above figures are allocated to several performance measures as follows:

Name	Title	Relative Return on Invested Capital	Individual Performance	Operating Profit	Total MPCP Target
Richard J. Hipple	Chairman, Pres. and CEO	57.5%	7.0%	90.0%	154.5%
John D. Grampa	Senior VP Finance and CFO	32.5%	7.0%	50.0%	89.5%
Daniel A. Skoch	Senior VP Administration	32.5%	7.0%	45.0%	84.5%

Awards for individual goals are payable only if threshold financial performance is achieved and represent an additional 7% of salary at target for all NEOs.

The operating profit goals for 2009 for the NEOs were based on the achievement of overall corporate adjusted operating profit as well as the achievement of operating profit targets at each of the Company's major business units. None of the thresholds for earning MPCP incentives for operating profit were met in 2009 and no payouts to the NEOs were made for this component of the MPCP. The threshold, target and maximum corporate operating profit targets were \$1.2 million, \$13.7 million and \$35.6 million, respectively, while the actual corporate operating loss was \$19.5 million.

As noted above, we also implemented a performance measure in 2009 designed to compare the relative change from year-to-year of our ROIC versus the twenty company peer group outlined above. We measure the change in ROIC over the course of the trailing four quarters ending on September 30, 2009 (i.e., the fourth quarter of 2008 and the first three quarters of 2009) in order to determine our ROIC performance versus the four quarters ending on September 30, 2008. We then determine our rank within the peer group, which then correlates to a percentage of target payout scale.

For 2009, a rank of 11 of 21 (the twenty peer companies plus the Company) correlates to a target payout, while a rank of 1 correlates to a maximum payout at 200% of target and a rank of 16 generates a threshold payout at 50% of target. A rank below 16 does not generate a payout. For 2009, the Company achieved a ranking of 12, correlating to a 90% of target payout. The Company's actual performance was a decline of 14.6% in ROIC versus a median (rank: 11) of a decline of 14.1%, with the threshold representing a decline of 23.4%.

The Committee set individual goals for the CEO in 2009 designed to focus attention on moving the Company towards its strategic objectives and initiatives, while recognizing the very challenging macro-economic environment. The accomplishment of these goals is a measurable, objective result. The CEO's 2009 individual goals included:

- reduce costs and manage the balance sheet;
- improved shareholder value;
- profitable increases in the Company's critical mass;
- improved succession planning and organization development;

increased Asian business base;

continued development of a broader earnings base for the Company designed to achieve better earnings stability; and

improved corporate-wide systems designed to improve consistency and reduce overall corporate risk.

2009 individual goals for the other NEOs also included environmental health and safety objectives and improvement of internal business processes. Payments were made for individual objectives to the NEOs, per the MPCP plan provisions.

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The table below shows the total payments made from the MPCP based on the achievement of the relative ROIC measure and the individual objectives. Actual payments represent about 40% of target in the aggregate.

Name	Title	MPCP Target	Total MPCP Target	Individual Objectives	Operating Profit	Relative Return on Invested Capital	Actual MPCP Payment Total
Richard J. Hipple	Chairman, Pres. and CEO	154.5%	\$ 1,052,454	\$ 61,308	\$	\$ 352,521	\$ 413,829
John D. Grampa	Senior VP Finance and CFO	89.5%	\$ 307,164	\$ 29,172	\$	\$ 100,386	\$ 129,558
Daniel A. Skoch	Senior VP Administration	84.5%	\$ 276,822	\$ 22,932	\$	\$ 95,823	\$ 118,755

Awards made from the MPCP are taken into account in pension benefit formulas and are used to determine deferral and matching contribution calculations for other retirement and deferred compensation benefits. They also may affect the calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in *Other Potential Post-employment Payments*.

**Equity Awards**

Our equity award program is targeted at levels below the market median for comparable long-term incentive programs among our pay survey group and peer group, offsetting the higher than median targets we have set for the MPCP. As noted, the program for 2009 had two components, including:

SAR grants, which comprised 67% of the total equity value. SAR are granted at fair market value and gain value based on increases in the Company's share price and, consequently, total shareholder return. SAR vest three years after the grant date, have a term of 10 years and are settled in shares; and

time-based restricted shares, the remaining 33% of the total equity value, were designed for retention purposes and are earned by NEOs based on the passage of time and continued employment. The restricted shares vest after three years of service, with the added stipulation that the net after-tax shares be held by the NEOs for an additional seven years, assuming continued employment, before the shares may be sold.

All equity components in 2009 were granted pursuant to the 2006 Stock Incentive Plan (2006 Plan). NEOs are required to forfeit outstanding awards and pay back any amounts realized from the above grants if they engage in activity deemed to be detrimental to the Company, as defined in the equity award agreements.

In addition, each of the NEOs holds two remaining LTIP grants, made at the beginning of 2007 and 2008, each with three-year terms. The LTIP is a combination of performance restricted shares and performance shares. Performance restricted shares consist of stock grants that will be forfeited if performance targets are not achieved during the performance period. LTIP values are earned based on the achievement of cumulative pre-determined operating profit targets over a three-year period. The LTIPs established for the NEOs are three-year performance plans designed to promote the achievement of cumulative corporate operating profit goals.

In 2007, the LTIP was established using performance restricted and performance shares under our 2006 Plan with management objectives based on cumulative operating profit with a performance period of 2007-2009. The adjusted actual cumulative operating profit for 2007-2009 of \$93.1 million was below the threshold of the targeted range of \$135 million (minimum, target and maximum were \$135 million, \$169 million and \$185 million, respectively). As a result, the participants earned no payouts from the shares originally granted at the beginning of 2007.

In 2008, the Committee established the last three-year LTIP using both performance restricted shares and performance shares under our 2006 Plan, with objectives based on cumulative operating profit for the period from 2008-2010. Payouts, if any, will be payable in early 2011. The Committee designed these awards such that, once target performance is attained and the performance restricted shares are earned, results above the targeted level will be paid in performance shares. A cumulative operating profit threshold must be met before any payout is attained. However, should the cumulative operating profit threshold not be met, and our stock performance during the three-year performance period is in the top quartile compared to the Russell 2000, then a payout can be made, but only at the threshold (25% of target) level.

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The relative values of total compensation among comparable companies in the survey data are the most important determining factors in setting the long-term incentive amounts, along with consideration of the experience, responsibilities and performance of the executive. The equity grants currently held by each NEO are not taken into consideration in making new grants to that NEO.

The Committee is solely responsible for the grant of equity awards. The awards traditionally are granted in February after the Company's annual earnings have been announced. In February 2007, the Committee adopted Stock Award Administrative Procedure Guidelines related to the various forms of equity grants designed to formalize the process of establishing the date of grant, grant prices at fair market value and other administrative practices appropriate to equity grants to executives.

The amounts realized by the NEOs from the LTIP, but not the amounts realized from the SAR and restricted stock, are taken into account in the pension benefit formulas and used for determining deferral and matching contribution calculations for other retirement benefits. None of the equity awards are included in compensation for purposes of determining any other benefit amount, except that they may affect calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments.

### ***Severance Payments and Payments Upon a Change-in-Control***

Each NEO is party to a Severance Agreement that provides two-year severance benefits in the event of involuntary termination of employment by us, other than for cause or gross misconduct, or if he resigns as a result of a reduction in his salary or incentive pay opportunity, provided that such a reduction in salary or incentive pay opportunity is not part of a general reduction in compensation opportunity for all officers. The Severance Agreements were adopted at a time of transition to a new CEO with the objective to help secure the continued employment of each NEO through and beyond this time of change.

The Severance Agreements also provide each NEO with benefits in specified circumstances following a change in control. The triggering events for a change in control are described in the section entitled Other Potential Post-employment Payments. When the Committee chose these triggering events in July 2008, they were understood to be competitive and appropriate at that time, and were based primarily on advice from legal counsel as well as their experiences with other companies our directors have been associated with during their careers. If the NEO resigns for defined Good Reason, or his employment is terminated by the Company for reasons other than for cause during the three years following a change in control, he will receive three-year severance benefits, as described under Other Potential Post-employment Payments. In addition, the NEO can resign for any reason during the 30-day period following the first anniversary of a change in control. The NEO also receives these benefits if any employment change occurs during discussions with any third party that results in a change in control.

The Committee adopted a gross-up provision in February 2007 for the parachute tax under the Internal Revenue Code Section 280G in the context of a change in control. The parachute tax applies to separation compensation beyond a determined cap as defined under Section 280G of the Internal Revenue Code. Average W-2 compensation for the prior five years is used in calculating the cap. The Committee decided a gross-up feature was appropriate because the CEO was new to his role and the cap would be determined by his compensation in a lesser capacity and the Company had been in a turnaround situation for five years prior to 2007. Based on this logic, the Committee also included a sunset provision in the gross-up feature so that it would automatically end five years after adoption.

The Committee believes the Severance Agreements are an important part of the competitive executive compensation package because they help ensure the continuity and stability and provide protection to the NEOs. The Committee also believes the Severance Agreements reduce the NEOs' interest in working against a potential change in control and

help to minimize interruptions in business operations by reducing any concerns they have of being terminated prematurely and without cause during an ownership transition. In exchange, each NEO agrees not to compete while employed or for two years after an involuntary termination of employment; nor to solicit any employees, agents, or consultants to terminate their relationship with us; and to protect our confidential information. Each NEO also assigns to the Company any intellectual property rights

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to any discoveries, inventions or improvements made while employed by us or within one year after his employment terminates.

### ***Retirement Benefits***

We provide a variety of plans and benefits to our NEOs that fall under the heading of retirement and deferred compensation benefits, including:

Brush Engineered Materials Inc. Pension Plan (Pension Plan);

special awards;

Savings and Investment Plan (401(k) Plan); and

Executive Deferred Compensation Plan II (EDCP II).

The special awards are designed to make up for Internal Revenue Code limitations associated with the Pension Plan for the NEOs, while the EDCP II is designed to make up for similar limitations related to the 401(k) Plan. The Committee believed each of these programs to be necessary from a competitive viewpoint and for retention purposes.

### ***Pension Plan***

The Pension Plan is the primary vehicle for providing retirement compensation to all employees and is a tax-qualified defined benefit pension plan. All the NEOs participate in the Pension Plan. Before June 1, 2005, the benefit formula was 50% of final average earnings over the highest five consecutive years minus 50% of the annual Social Security benefit with the result prorated for service of less than 35 years. Effective as of May 31, 2005, we froze the benefit under the prior formula for all employees including the NEOs.

Beginning June 1, 2005, the Pension Plan formula was reduced for all participants, including the NEOs, to 1% of each year's compensation, as defined in the Pension Plan. The retirement benefit for these individuals will be equal to the sum of that earned as of May 31, 2005 and that earned under the new formula for service after May 31, 2005. However, because the amount of compensation that may be included in the formula for calculating pension benefits and the amount of benefit that may be accumulated in the Pension Plan are limited by the Internal Revenue Code, the NEOs will not receive a Pension Plan benefit equal to 1% of their total pay.

The tax code limitations associated with the Pension Plan are taken into account by the Committee in determining amounts intended to supplement retirement income for the NEOs, such as the special awards described below. The benefit accumulated under the Pension Plan does not affect any other element of compensation for the NEOs, except to the extent it is included in the calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments.

### ***Special Awards***

As noted, the NEOs will not receive a full benefit from the Pension Plan and we do not provide a supplemental retirement plan for our NEOs. At its December 2009 meeting, the Committee exercised its discretion to authorize special awards in lieu of a supplemental retirement benefit plan for Messrs. Hipple, Grampa and Skoch in the amounts of \$168,450, \$78,315 and \$131,770, respectively, all of which were paid in January 2010.



The amounts of these payments were derived by making assumptions regarding future anticipated earnings and actuarially calculating a present value benefit equivalent to what would have been accrued if we had a supplemental retirement benefit plan in effect. This calculation used the reduced Pension Plan formula for all service after May 31, 2005. The Committee added an additional five years of service to the calculation as part of Mr. Hipple's overall compensation package upon his becoming CEO. No obligation exists for future special awards.

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These payments may be taken into account in calculating future supplemental retirement amounts, if any are awarded. They also affect the calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in *Other Potential Post-employment Payments*, but generally are not intended to affect the amounts of any other compensation element for the NEOs.

### ***401(k) Plan***

The 401(k) Plan is a tax-qualified defined contribution plan. All of the NEOs participate in this plan as part of their competitive total compensation package. The 401(k) Plan offers the NEOs and all other employees the opportunity to defer income. In addition, we made a matching contribution to each employee equal to 25% of the first 6% of compensation deferred by the employee, beginning on January 1, 2009. However, as of April 4, 2009, we eliminated the match for the remainder of 2009 in response to the economic crisis.

This compensation element is tax-deferred and is not intended to affect the value of any other compensation element, but the amount of contributions that may be made under the 401(k) plan may affect calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in *Other Potential Post-employment Payments*.

### ***EDCP II***

In 2004, the Committee established the EDCP II to replace the Key Employee Share Option Plan (KESOP), which is described in the section entitled *2009 Nonqualified Deferred Compensation*. The EDCP II provides an opportunity for the NEOs to defer a portion of their compensation. The EDCP II also provides a nonelective deferred compensation credit to each NEO's account in an amount equal to 1.5% of the NEO's annual compensation above the qualified plan limit in 2009. As of April 4, 2009, we eliminated this credit in response to the economic crisis. The limit for 2009 was \$245,000, as determined under the Internal Revenue Code. The Committee considers this contribution to be a replacement for the loss of any 401(k) Plan matching contribution that otherwise would have been attributable to compensation earned over the qualified plan limit. Earnings are credited to each NEO's account based on his choice of investment alternatives from a list provided by the Committee.

This compensation element is tax-deferred and is not intended to affect the value of any other compensation element.

### ***Health and Welfare Benefits***

The NEOs participate in group life, health and disability programs provided to all salaried employees. Except for periodic executive physicals, no other special health or welfare benefits are provided for the NEOs. Almost all of the value of these benefits is not taxable and does not affect the value of any other elements of compensation for the NEOs, but they may affect calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in *Other Potential Post-employment Payments*.

### ***Perquisites***

We pay for financial planning services, to a maximum of \$12,500 each year for each NEO, and annual dues for various club memberships for the NEOs, subject to Committee approval. The Committee believes that such memberships provide the NEOs with important contacts within the business community and provide a good environment for business entertainment needs.

These benefits are included in taxable income, and do not affect the determination of retirement benefits. They are not expected to affect the value of any other elements of compensation for the NEOs, except to the extent that they may

affect calculation of payments that may be paid upon a change in control or other potential severance payments, as described below in Other Potential Post-employment Payments.

**Table of Contents****Accounting and Tax Effects**

The Committee considers both the financial reporting and the taxation of compensation elements in its decision making process. The Committee seeks a balance between the Company's best interests, fair treatment for the executives and minimizing taxation of the compensation offered to the executive while maximizing immediate deductibility.

The Committee designed the severance plans for all executives, except the NEOs, to reduce amounts payable that otherwise would have been subject to an excise tax known as excess golden parachute payments as defined under Internal Revenue Code section 280G. The Committee is also aware of Internal Revenue Code Section 162(m), which limits deductions for compensation paid to individual NEOs (with the exception of the CFO) in excess of \$1 million. In response, the Committee designs much of the total compensation package of the NEOs to qualify for the exemption of performance-based compensation from the deductibility limit. However, the Committee reserves the right to design and use compensation instruments that may not be deductible within the rules of Internal Revenue Code section 162(m), if those instruments are in the Company's best interests.

**2009 Compensation Mix Change**

The Committee made several changes to the total compensation mix, beginning in 2009. First, the Committee increased the annual and equity opportunity for the NEOs to the new market medians based on information derived from the PM&P data developed during 2008. These changes are shown in the table below:

Named Executive Officers	2008	2008 Equity	2009	2009 Equity
	Annual Incentive Opportunity	Incentive Opportunity	Annual Incentive Opportunity	Incentive Opportunity
Richard J. Hipple	75%	200%	100%	230%
John D. Grampa	55%	120%	60%	130%
Daniel A. Skoch	50%	120%	55%	130%

The above changes were made to ensure that our total compensation program remains targeted at the competitive market median, based on our pay philosophy. In addition, the changes place greater emphasis on variable compensation versus fixed salary compensation, again linking closely to our pay philosophy.

Second, the Committee eliminated the three-year equity-based LTIP and reallocated the values associated with it. Specifically, 50% of the former LTIP opportunity was shifted to the 2009 MPCP, with the remaining 50% of the LTIP value allocated to SAR and restricted stock grants. These changes are summarized in the table below:

Named Executive Officers	2009	2009	Total 2009 Incentive Opportunity	Reallocated 2009	Reallocated	Reallocated
	Annual Incentive Opportunity	Equity Incentive Opportunity		Annual Incentive Opportunity	2009 Equity Incentive Opportunity	Total 2009 Incentive Opportunity
Richard J. Hipple	100%	230%	330%	157.5%	172.5%	330%
John D. Grampa	60%	130%	190%	92.5%	97.5%	190%

Daniel A. Skoch	55%	130%	185%	87.5%	97.5%	185%
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The Committee found these changes to be necessary because of the difficulty inherent in setting long-term financial performance objectives for the LTIP. Specifically, the timing and magnitude of the cyclical associated with our major customers' businesses renders setting such goals extremely difficult. The resulting volatility introduces a lottery effect to the LTIP, which the Committee believes is counter to the underlying incentive motive of such a plan. The Committee believes such volatility has been reflected in the LTIP over the past 10 years in which performance outcomes and the associated payouts have oscillated from below threshold to above maximum.

The Committee believes we have better success forecasting on an annual basis, which accounts for the shift in values to the MPCP for 2009. The Committee used the additional allocation to the 2009 MPCP to create a

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relative performance measure based on ROIC versus the peer group. This measure is designed to motivate participants to use capital more efficiently, which we believe will lead to the creation of shareholder value.

The reallocations from the LTIP to SAR does not require forecasting and will serve to increase the emphasis placed on share price appreciation, which is a key aspect of our pay philosophy.

**COMPENSATION COMMITTEE REPORT**

We have reviewed and discussed with management the foregoing Compensation Discussion and Analysis. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in our Annual Report on Form 10-K for the year ended December 31, 2009.

The foregoing report has been furnished by the Compensation Committee of the Board of Directors.

N. Mohan Reddy (Chairman)

Vinod M. Khilnani

William P. Madar

William R. Robertson

John Sherwin, Jr.

Notwithstanding anything to the contrary as set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporate future filings, including this proxy statement, in whole or in part, the foregoing Compensation Committee Report shall not be incorporated by reference into any such filings other than our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

**Compensation Policies and Practices to Risk Management**

The Compensation Committee and management do not believe that the Company maintains compensation policies or practices that are reasonably likely to have a material adverse effect on Brush Engineered Materials. However, as part of a larger enterprise risk management review, during 2010 we will review our compensation policies and practices with respect to executive and non-executive employees to ensure that the compensation program continues to align the interests of our employees with those of our shareholders and does not create any unnecessary or excessive risk.

**Table of Contents****2009 SUMMARY COMPENSATION TABLE**

The following table sets forth information concerning the compensation of our Chief Executive Officer and our other named executives who served in such capacities during the fiscal year ended December 31, 2009 (the "Named Executive Officers"):

Name and Principal Position	Year	Salary (1)(\$)	Bonus (2)(\$)	Stock Awards (3)(\$)	Option Awards (4)(\$)	Non-equity Incentive Plan Compensation (5) (\$)	Change in Pension Value and Non-qualified Deferred Compensation Earnings (7) (\$)	All Other Compensation (8) (\$)	Total (9) (\$)
Edward J. Hipple Chairman, President and Chief Executive Officer	2009	674,650	168,450	1,377,633	705,932	413,829	49,034	34,555	3,424,000
	2008	680,092	177,850	705,825	155,983	181,858	24,136	103,002	2,028,700
	2007	649,056	163,750	444,198	341,550	1,512,038(6)	14,949	67,484	3,193,000
D. Grampa Vice President Finance and Chief Financial Officer	2009	339,900	78,315	407,838	201,027	129,558	58,982	17,556	1,233,100
	2008	342,642	114,120	291,791	47,152	63,243	37,126	47,668	943,700
	2007	328,471	61,882	134,280	103,604	829,080(6)	20,199	41,424	1,518,900
Michael A. Skoch Vice President, Administration	2009	324,450	131,770	389,430	191,888	118,755	88,010	26,585	1,270,800
	2008	327,068	131,770	316,793	45,002	63,243	66,330	56,765	1,006,900
	2007	314,046	88,625	128,193	100,188	788,580(6)	24,548	47,994	1,492,100

- (1) For 2009, Salary includes deferred compensation to the 401(k) plan in the amount of \$22,000 for each of Messrs. Hipple, Grampa and Skoch.
- (2) In 2009, the Compensation Committee again exercised its discretion to authorize special awards in lieu of a supplemental retirement benefit plan.
- (3) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for restricted shares and performance restricted shares granted to each NEO. Included in the 2009 amounts for Messrs. Hipple, Grampa and Skoch are \$887,692; \$256,246 and \$268,320, respectively, which represent the grant date fair value of performance restricted shares based on the probable outcome of the performance conditions of such awards. If all performance conditions had been met at their maximum levels, the grant date fair value of these performance restricted shares would have been \$1,331,538; \$384,369 and \$402,480, respectively for Messrs. Hipple, Grampa and Skoch. See Note K to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 for the

assumptions used in calculating the fair value. See the 2009 Grants of Plan-based Awards table for information on awards made in 2009.

- (4) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for stock appreciation rights granted to each NEO. See Note K to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 for the assumptions used in calculating the fair value. See the 2009 Grants of Plan-based Awards table for information on awards made in 2009.
- (5) The amounts in this column for 2009 represents the payments made to the NEOs under the Management Performance Compensation Plan. There were no payments made under the 2007-2009 Long-term Incentive Plan.
- (6) The 2007 Non-equity Incentive Plan Compensation included an overpayment of bonus due to an accounting error that was identified after these payments were made. In 2008, shares of performance restricted stock were waived to correct this overpayment in the amounts of 7,765; 2,708 and 2,298 for Messrs. Hipple, Grampa and Skoch, respectively, valued at \$12.72 per share.
- (7) The amounts in this column for 2009 represent the change in pension value and earnings in excess of 120% of the applicable federal rate in effect during 2009 for the Kesop and EDCP II Plans discussed later in this proxy statement. The amounts for the change in pension value and the earnings in excess of 120% of the applicable federal rate in effect during 2009 are as follows:



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	<b>Pension</b>	<b>Kesop/ EDCP II</b>	<b>Total</b>
Richard J. Hipple	\$ 27,559	\$ 21,475	\$ 49,034
John D. Grampa	41,031	17,951	58,982
Daniel A. Skoch	68,738	19,272	88,010

(8) For all the NEOs, All Other Compensation for 2009 included the Company match to the 401(k) plan, reimbursement of club dues, financial planning fees and group life premiums. Club dues for Mr. Hipple were \$18,678; financial planning fees for Messrs. Grampa and Skoch were \$10,559 and \$12,500, respectively. All Other Compensation included a Company contribution to the Health Savings Account for Mr. Skoch.

**2009 GRANTS OF PLAN-BASED AWARDS**

We currently are utilizing two incentive plans that provide executives opportunities to earn cash or stock compensation. The MPCP provides cash compensation for annual performance. The 2006 Stock Incentive Plan provides opportunities for equity-based compensation for service and performance for periods of more than one year.

The following table sets forth information concerning annual incentive cash awards, grants of SAR and restricted shares to the NEOs during the fiscal year ended December 31, 2009, as well as estimated future payouts under those incentive plans. See the CD&A for further discussion of these incentive plans, these types of grants and the reason for these types of grants.

Name	Grant Date	Compensation Committee Approval Date	Estimated Future Payouts Under Non-Equity Incentive			Estimated Future Payouts Under Equity Incentive	All Other Stock Awards: Number	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date	Fair Value of Stock and Option Awards (\$)(3)
			Threshold	Target	Maximum						
Richard J. Hipple	2/10/2009	2/2/2009		1,052,454	2,104,908						
	2/10/2009	2/2/2009					32,641		15.01	489,94	
	2/10/2009	2/2/2009						90,147	15.01	705,93	
John D. Grampa	2/10/2009	2/2/2009		307,164	614,328						
	2/10/2009	2/2/2009					9,295		15.01	139,51	

niel	2/10/2009	2/2/2009			25,671	15.01	201,02
och	2/10/2009	2/2/2009	276,822	553,644			
	2/10/2009	2/2/2009			8,873	15.01	133,18
	2/10/2009	2/2/2009			24,504	15.01	191,88

- (1) This column shows the restricted shares granted in 2009.
- (2) This column shows the SAR that were granted in 2009. These SAR become fully exercisable and vest 100% after three years.
- (3) The amounts reported in this column reflect the aggregate grant date fair value as computed in accordance with FASB ASC Topic 718 for stock and option awards. See Note K to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 for the assumptions used in calculating the fair value.

### Executive Employment Arrangements

None of the NEOs has an employment agreement. However, each NEO has a Severance Agreement that provides the executive with three-year severance benefits upon termination or significant change in the duties of the executive as a result of a change in control as defined in the agreement, and two-year severance benefits in the event of certain involuntary terminations. Discussion of the payouts provided for under various termination situations is set forth in the section "Other Potential Post-employment Payments" below.

### Base Salary

The Compensation Committee annually reviews and adjusts base pay, in keeping with the overall objectives, pay philosophy and relative position with comparable companies, all as discussed in more detail in the CD&A.

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**Bonuses**

Bonus compensation in 2009, as shown in the 2009 Summary Compensation Table, consisted of discretionary amounts paid in lieu of supplemental retirement benefits, as discussed in more detail in the CD&A under the section entitled Special Awards.

**Non-equity Incentive Plan Compensation**

For 2009, base salaries and bonuses (including amounts deferred to the 401(k) plan) as a percentage of total compensation shown in the 2009 Summary Compensation Table, were 33% for Mr. Hipple; 43% for Mr. Grampa; and 45% for Mr. Skoch.

**Stock Awards**

Stock-based awards under the 2006 Stock Incentive Plan during 2009 were made in the form of SAR and restricted stock. Descriptions and the reason for these types of grants are in the CD&A.

Grants of restricted stock and SAR were made in 2007, 2008 and 2009. The associated expense recorded in accordance with accounting guidelines is disclosed in the 2009 Summary Compensation Table. The restricted shares and SAR vest after three years from the date of grant.

Table of Contents**2009 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Market Value of Share or Units of Stock That Have Not Vested (\$)(3)	Equity Incentive Plan Awards Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Unearned	
Richard J. Hipple	9,000		17.075	2/3/2014				
	10,000		17.68	2/8/2015				
	8,000		14.10	4/29/2015				
	38,700		24.03	5/2/2016				
		15,000	44.72	2/15/2017				
		11,102	27.78	2/15/2018				
		90,147	15.01	2/10/2019				
					49,869	924,571		
							14,609	270,851
	65,700	116,249						
John D. Grampa	10,000		22.43	2/6/2011				
	15,000		12.15	2/5/2012				
	15,000		17.075	2/3/2014				
	15,000		17.68	2/8/2015				
	14,000		24.03	5/2/2016				
		4,550	44.72	2/15/2017				
		3,356	27.78	2/15/2018				
		25,671	15.01	2/10/2019				
					16,503	305,966		

					4,416	81,873
	69,000	33,577				
Daniel A. Skoch	12,000		22.43	2/6/2011		
	15,000		12.15	2/5/2012		
	15,000		17.075	2/3/2014		
	15,000		17.68	2/8/2015		
	14,000		24.03	5/2/2016		
		4,400	44.72	2/15/2017		
		3,203	27.78	2/15/2018		
		24,504	15.01	2/10/2019		
					16,845	312,306
					4,215	78,146
	71,000	32,107				

The column entitled Equity Incentive Plan Awards, Number of Securities Underlying Unexercised Unearned Options to this table has been omitted because no awards were reportable thereunder.

- (1) These amounts represent the SAR that were granted in 2009, 2008 and 2007. These SAR vest 100% after three years. The SAR expiring on 2/15/17 were granted on 2/15/07, the SAR expiring on 2/15/18 were granted on 2/15/08 and the SAR expiring on 2/10/19 were granted on 2/10/09.
- (2) Restricted shares were granted to Messrs. Hipple, Grampa and Skoch on 2/15/07, 2/15/08 and 2/10/09. Shares are subject to forfeiture if these executives are not continuously employed for a three-year period from the date of grant.
- (3) Amounts in these columns were calculated using the December 31, 2009 Brush Engineered Materials Inc. common stock closing price of \$18.54 times the number of shares in the preceding column.
- (4) These awards represent the performance restricted shares that were granted under the 2008-2010 LTIP.

**Table of Contents****2009 OPTION EXERCISES AND STOCK VESTED**

	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
Richard J. Hipple		
John D. Grampa	8,000	18,878
Daniel A. Skoch		

The columns under the heading entitled "Stock Awards" to this table have been omitted because no stock awards were reportable thereunder.

**2009 PENSION BENEFITS**

Name	Plan Name	Number of Years Credited	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Richard J. Hipple	Brush Engineered Materials Inc. Pension Plan	8	134,408	
John D. Grampa	Brush Engineered Materials Inc. Pension Plan	11	249,912	
Daniel A. Skoch	Brush Engineered Materials Inc. Pension Plan	26	571,759	

## Assumptions:

measurement date: December 31, 2009

interest rate for present value: 5.875%

mortality (pre-commencement): None

mortality (post-commencement): RP-2000 Mortality Table (separate male and female rates)

withdrawal and disability rates: None

retirement rates: None prior to age 65, except age 64 for Mr. Skoch

normal retirement age: Age 65, except age 64 for Mr. Skoch as explained in the narrative below

accumulated benefit is calculated based on credited service and pay as of December 31, 2009

all results shown are estimates only; actual benefits will be based on data, pay and service at time of retirement

The Brush Engineered Materials Inc. Pension Plan (qualified pension plan) is a defined benefit plan under which Messrs. Hipple, Grampa and Skoch are currently accruing benefits. Effective as of the close of business on May 31, 2005, the benefit under the prior formula for Messrs. Hipple, Grampa and Skoch (50% of final average earnings over highest 5 consecutive years minus 50% of annual Social Security benefit, the result prorated for service less than 35 years) was frozen. The frozen annual benefits as of May 31, 2005, payable beginning at age 65 as a single life annuity, for Messrs. Hipple, Grampa and Skoch are \$9,855; \$17,252 and \$54,856, respectively. Credited service for pension benefit purposes as of May 31, 2005 for Messrs. Hipple, Grampa and Skoch is 3, 6 and 21, respectively.

Beginning June 1, 2005, the qualified pension plan formula was changed for Messrs. Hipple, Grampa and Skoch to 1% of each year's earnings. The retirement benefit for these individuals will be equal to the sum of that earned as of May 31, 2005 and that earned under the new formula for service after May 31, 2005.

The 2009 Pension Benefits table shows for Messrs. Hipple, Grampa and Skoch the number of years of credited service, present value of accumulated benefit and payments during the last fiscal year under the

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qualified pension plan. We do not sponsor any other qualified or nonqualified defined benefit plan that provides benefits to Messrs. Hipple, Grampa and Skoch.

The Present Value of Accumulated Benefit is the lump-sum value as of December 31, 2009 of the annual pension benefit that was earned as of December 31, 2009 that would be payable under the qualified pension plan for Messrs. Hipple, Grampa and Skoch for life beginning at their normal retirement age. The normal retirement age is defined as age 65 in the qualified pension plan. Certain assumptions were used to determine the lump-sum value and to determine the annual pension that is payable beginning at normal retirement age. Those assumptions are described immediately following the 2009 Pension Benefits table.

If the participant terminates employment before completing 10 years of service, the annuity may not commence prior to age 65. If the participant terminates employment after completing 10 years of service, the annuity may commence as early as age 55 and is reduced 6.67% per year between ages 60 and 65 and 3.33% per year between ages 55 and 60 based on the participant's age at commencement, if the benefit commences prior to normal retirement age. An unreduced benefit is available commencing at age 62 for those participants who terminate after age 55 with at least 30 years of service. At year-end 2009, Messrs. Grampa and Skoch had attained early retirement eligibility and Mr. Hipple had not attained early retirement eligibility. Mr. Skoch is the only named executive who may become eligible to commence his benefit on an unreduced basis prior to age 65. Assuming continued uninterrupted employment with the Company, Mr. Skoch would reach 30 years of service at the end of the month in which he attains age 64.

Benefits provided under the qualified pension plan are based on compensation up to a compensation limit under the Internal Revenue Code (which was \$245,000 in 2009). In addition, benefits provided under the qualified pension plan may not exceed a benefit limit under the Internal Revenue Code (which was \$195,000 payable as a single life annuity beginning at normal retirement age in 2009).

Compensation is generally equal to the total amount that is included in income (such as regular base salary, incentive compensation under any form of incentive compensation plan, sales commissions and performance restricted shares of stock at the time these shares are includable in the participant's gross income for Federal income tax purposes), plus salary reduction amounts under sections 125 and 401(k) of the Internal Revenue Code. The annual salary and bonus for the current year for Messrs. Hipple, Grampa and Skoch is indicated in the 2009 Summary Compensation Table. Each year's compensation for the qualified pension plan is limited by the compensation limits under the Internal Revenue Code.

Generally, a participant's years of credited service are based on the years an employee participates in the qualified pension plan. However, in certain cases, credit for service prior to participation in the qualified pension plan is granted. Such cases include employment with the Company in a position that is not eligible for participation in the qualified pension plan and service with a predecessor employer. The years of credited service for Messrs. Hipple and Grampa are based only on their service while eligible for participation in the qualified pension plan. The years of credited service for Mr. Skoch include service for the period June 29, 1983 through December 1, 1985 during which time he was covered under The S.K. Wellman Corp. Retirement Plan for Salaried Employees. All S.K. Wellman Corp. salaried employees who had transferred to Brush Wellman Inc. as salaried employees prior to May 4, 1986 and were still employed after May 4, 1986, receive credited service under the qualified pension plan equal to their credited service under The S.K. Wellman Corp. Retirement Plan for Salaried Employees at the time of their transfer. Mr. Skoch received a lump-sum payment during January 1987 in lieu of the benefit he had accrued for the period June 29, 1983 through December 1, 1985 under The S.K. Wellman Corp. Retirement Plan for Salaried Employees. Mr. Skoch's accrued benefit under the qualified pension plan has been offset for the benefit for which he received this lump-sum payment.



Lump sums are available under the qualified pension plan only for the portion of the participant's benefit that was accrued prior to July 1, 1992. Mr. Skoch is eligible to elect to receive the portion of his benefit that was accrued prior to July 1, 1992 as a lump sum with the remaining portion of his benefit payable in the form of an annuity with monthly benefit payments. Messrs. Hipple and Grampa are eligible only to have their benefits payable in the form of an annuity with monthly benefit payments.

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The qualified pension plan was designed to provide tax-qualified pension benefits for most of our employees. Benefits under the qualified pension plan are funded by an irrevocable tax-exempt trust. An executive's benefits under the qualified pension plan are payable from the assets held by the tax-exempt trust.

## **2009 NONQUALIFIED DEFERRED COMPENSATION**

We maintain two nonqualified arrangements for executives, the Key Employee Share Option Plan (the KESOP) and the Executive Deferred Compensation Plan II (the EDCP II). A primary purpose of each is to provide benefits in the event a participant's compensation exceeds the amount of compensation that may be taken into account for deferring income and matching contributions under the Brush Engineered Materials Inc. Savings and Investment Plan.

### ***Key Employee Share Option Plan***

The KESOP was established in 1998 to provide executives with options to purchase property other than our common stock (in this case, options to purchase certain mutual fund shares as further described below), which options replace a portion of the executive's compensation. The options cover property with an initial value equal to the amount of compensation they replace, divided by 75%, with an exercise price equal to the difference between that amount and the amount of compensation replaced (in other words, 25% of the fair market value of the option property). Thus, the executive may receive the increase or decrease in market value of the entire amount of the property covered by the option, including the exercise price. Due to the American Jobs Creation Act of 2004 which added section 409A to the Internal Revenue Code, the KESOP was frozen effective December 31, 2004. Moreover, options for purchase of property that did not become exercisable prior to 2005 under the KESOP and corresponding elections under the KESOP were cancelled. Each participant who had such KESOP options and elections cancelled received payment in the amount of the cancelled deferrals. Eligibility to participate and the property (consisting of shares of mutual funds) subject to the KESOP options were determined by the Compensation Committee of the Board. Mutual fund selection was intended to be the same or similar to that offered under the 401(k) plan, but was not required. Executives were permitted to select among those mutual funds to determine those covered by the options obtained by them as a result of their compensation elections, but generally were not permitted to change that selection once made.

Although the KESOP was frozen as noted above, options that became exercisable prior to January 1, 2005 and which have not as yet been exercised remain on the books for some executives.

The KESOP balance of each executive is equal to the most recent closing price of the mutual funds under the options accumulated by the executive as of the end of the year. To obtain the portion of this balance based on any particular option, however, the executive must pay the 25% exercise price set when the option was granted. In addition to potential gains through changes in the market value for the underlying mutual funds, the executive may accumulate value whenever any dividends or other cash distributions are made relative to those mutual funds. Starting with dividends for the year ending December 31, 2004, the value of any such dividends or distributions is credited to the executive's EDCP II account (see discussion below of the EDCP II) as part of the compensation deferred under that program.

Unless the amount of mutual funds available under an option is adjusted as a result of a stock split, merger, divestiture, consolidation or other corporate transaction, or unless other property is substituted for the mutual fund shares originally subject to the option, an option becomes exercisable 184 days after the grant of the option and remains exercisable at any time after that date until the earlier of the fifteenth anniversary of the grant or the third anniversary of the executive's termination of employment. If any adjustment in the number of mutual fund shares or any substitution of new property occurs, the exercise period will be interrupted for 184 days and the deadline to exercise will be extended by 184 days, but not more than 5 years beyond the original exercise deadline. Any option not exercised by the deadline may not be exercised after that.

The KESOP is unfunded. The options obligation for each executive is maintained in a book reserve account. We are under no obligation to set aside funds specifically designated to satisfy this obligation or to invest in any of the optioned mutual funds selected by the executive. However, we maintain a trust, as part of

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the general assets of the Company, intended to hold property for use in meeting this obligation, unless we become insolvent. In that case, the assets in the trust would be available to satisfy our creditors just as any other general assets of the Company, before the option property would be delivered. In other words, each executive participating in the KESOP is an unsecured general creditor of the Company with respect to the value of the property optioned as his KESOP benefits.

When an option is exercised, the executive pays the applicable exercise price to the Company and we deliver to the executive the underlying property, which may have been obtained and held as general assets of the Company before the option was exercised. The value of the underlying property delivered, less the exercise price paid, is treated as taxable income to the executive and he must pay the Company for any income taxes or other payroll taxes required to be withheld by the Company on that income. We may take an income tax deduction for the value of the property delivered, reduced by the exercise price paid.

No executive may transfer or sell his KESOP options during his life, except for a transfer, for no payment and only as approved by the Committee, to a member of the executive's immediate family, to a trust for the benefit of such a family member or to a partnership consisting only of such family members as partners. Upon an executive's death, his KESOP options will pass to his beneficiaries or estate, but they must be exercised before the earlier of the original deadline or the first anniversary of his death. No other transfers or withdrawals are permitted under the KESOP.

The latest exercise deadline for any existing KESOP options is June 30, 2019. As noted earlier, options may expire earlier, within three years of the executive's termination of employment.

***Executive Deferred Compensation Plan II***

The EDCP II provides executives an opportunity to make deferral elections generally not permitted under the 401(k) plan. Internal Revenue Code section 401(a)(17) limits the amount of compensation that may be taken into account for deferrals under the 401(k) plan. For 2009, that limit was \$245,000. Executives may elect each year to defer all or any portion of the sum of his Management Performance Compensation Plan payouts payable in cash for that year, plus the portion of his base salary for that year that is in excess of the compensation limit under Internal Revenue Code section 401(a)(17). Previously we had provided a non-elective deferral equal to three percent (3%) of his total compensation in excess of the Internal Revenue Code section 401(a)(17) limit (his Excess Compensation) designed to reflect the employer matching contribution not permitted under the 401(k) plan because of the Internal Revenue Code section 401(a)(17) compensation limit. In 2009, the Company contribution was eliminated. Credits in amounts equal to the value of any dividends or other cash distributions payable from mutual funds optioned to the executive under the KESOP (see discussion of the KESOP above) are also credited to the executive's EDCP II account balance starting with dividends for the year 2004.

The compensation deferrals credited to each executive are credited with earnings at a rate equal to the return on hypothetical investments selected by the executive from a list of mutual funds identified by the Compensation Committee of the Board. Investment selection is intended to be the same or similar to that offered under the 401(k) plan, but this is not required. The executive's investment selection is used only to determine earnings credits on the compensation deferrals under the EDCP II. We are not obligated to invest any funds in the mutual funds selected by the executive. Earnings returns will change from year to year.

The EDCP II is unfunded. Deferred compensation credits and related earnings credits for each executive are maintained in a book reserve account. We are under no obligation to set aside funds specifically designated to pay these deferred income amounts. However, we maintain a trust, as part of the general assets of the Company, intended to pay these deferred income amounts, unless we become insolvent. In that case, the assets in the trust would be available to satisfy creditors of the Company, just as any other general assets of the Company, before the deferred

income amounts would be paid. In other words, each executive participating in the EDCP II is an unsecured general creditor of the Company with respect to the payment of his EDCP II benefits.

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Upon termination of employment for any reason other than death, distribution from the EDCP II will be made as a lump sum or installments over three or five years, as elected by the executive when the deferral election was initially made. If no distribution election was made, the benefit will be paid in a lump sum. If the executive dies before his full EDCP II account is distributed, any remaining balance credited to that account will be paid to his beneficiary in a single lump sum.

Distribution will be made or begin 60 days following the executive's termination of employment (or as soon as practicable after that date), except that in the case of certain specified executives, section 409A of the Internal Revenue Code requires that payment not be made earlier than six months after he separates from service for any reason other than death. Distribution or withdrawal for any other reason is not permitted under the EDCP II.

**2009 NONQUALIFIED DEFERRED COMPENSATION TABLE**

The 2009 Nonqualified Deferred Compensation Table shows deferrals to the EDCP II by Brush Engineered Materials on behalf of each NEO for 2009 earnings, if applicable, credited to his EDCP II account and KESOP account for 2009, any distributions made from his KESOP account during 2009, and the aggregate balance of his EDCP II credits and KESOP credits as of December 31, 2009.

		<b>Executive Contributions in Last FY \$(1)</b>	<b>Registrant Contributions in Last FY \$(2)</b>	<b>Aggregate Earnings in Last FY \$(3)</b>	<b>Aggregate Withdrawals/ Distributions \$(4)</b>	<b>Aggregate Balance at Last FYE \$(4)</b>
Richard J. Hipple	KESOP			1,639		11,413
	EDCP II		2,197	24,270		105,011
John D. Grampa	KESOP			309		1,382
	EDCP II			20,018		66,281
Daniel A. Skoch	KESOP			3,433		27,497
	EDCP II			19,567		69,775

- (1) There were no executive contributions credited to either plan in 2009.
- (2) Amounts in this column are also included in the All Other Compensation column of the 2009 Summary Compensation Table.
- (3) These earnings include dividends credited in 2008 for the KESOP, which were credited under the EDCP II in the amounts as follows: Mr. Hipple \$493; Mr. Grampa \$3; and Mr. Skoch \$968.
- (4) The Aggregate Balance as of Last FYE for the KESOP for each of the executive officers listed above represents the net amount due the participant upon exercise (i.e., net of the 25% option price due back to the Company).

**OTHER POTENTIAL POST-EMPLOYMENT PAYMENTS**

The Company has entered into severance agreements with the NEOs to help ensure the continuity and stability of our senior management. The other incentive arrangements maintained by the Company also provide for payments to be made to the NEOs upon certain terminations of employment.

**Severance Agreements**

*Basic Severance Benefits.* The severance agreements provide that if the executive's employment is terminated by the Company or one of its affiliates except for cause or gross misconduct, or if he resigns as a result of a reduction in his salary or incentive pay opportunity, severance benefits will apply. Severance benefits include rights to:

a lump-sum payment of two times salary and incentive compensation;

a lump-sum payment of two times any special award paid in lieu of benefits under the Company's former Supplemental Retirement Benefit Plan for the year in which termination occurs;

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the continuation of retiree medical and life insurance benefits for two years;

a lump-sum payment of two times the benefit under the Company's Executive Deferred Compensation Plan II for the year in which termination occurs;

a lump-sum payment equal to the sum of the present value of any bonus he would have received under any long-term incentive plan, including the earn out of any performance restricted shares;

any retirement benefits he would have earned under the Company's qualified retirement plans during the next two years; and

reasonable fees for outplacement services, up to a maximum of \$20,000.

In addition, all equity incentive awards vest, and all stock options become fully exercisable, if the severance benefits are applicable.

*Change in Control Severance Benefits.* In the event of a change in control of the Company, as defined in these agreements, and if 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 (referred to in the table below as Good Reason Termination), the executives are entitled to receive similar severance benefits based on a three-year period, plus the cash value of certain other benefits (such as club dues and financial counseling) (collectively, the Change in Control Benefits). A termination or demotion following the commencement of discussions with a third party which ultimately results in a change in control will also activate the Change in Control Benefits. The severance agreements include a tax gross-up provision under section 280G of the Internal Revenue Code that will apply until February 8, 2012. Payment of the Change in Control Benefits under the severance agreements are subject to the tax gross up for the first five years and thereafter are subject to a reduction in order to avoid the application of the excise tax on excess parachute payments under the Internal Revenue Code, but only if the reduction would increase the net after-tax amount received by the executive. In addition, the Company must secure payment of the Change in Control Benefits under the severance agreements through a trust that is to be funded upon the change in control, and amounts due but not timely paid earn interest at the prime rate plus 4%. The Company must pay attorneys' fees and expenses incurred by an executive in enforcing his right to Change in Control Benefits under his severance agreement.

*Nonsolicitation and Noncompetition Provisions.* Under the severance agreements, each executive agrees not to solicit any of our employees, agents or consultants to terminate their relationship with us, to protect our confidential business information and not to compete with the Company during employment or for a period of (i) two years following termination of the executive's employment by the Company or one of its affiliates except for cause or gross misconduct, or if he resigns as a result of a reduction in his salary or incentive pay opportunity or (ii) one year following a termination of employment for any other reason. Each executive also assigns to us any intellectual property rights he may otherwise have to any discoveries, inventions or improvements made while in our employ or within one year thereafter.

*Section 409A of the Internal Revenue Code.* In July of 2008, the severance agreements were amended and restated to comply with the documentary compliance requirements of section 409A of the Internal Revenue Code. section 409A generally became effective January 1, 2005, and covers most programs that defer receipt of compensation to a succeeding year, including the severance agreements. Section 409A provides strict rules for the timing of payouts, including a six-month delay for payments made in connection with a termination of employment, which is now reflected in the severance agreements.



*Amounts Payable Under Severance Agreements.* The following table sets forth the amounts payable under the severance agreements. Note that this table does not include any benefits payable to the NEO under the retirement plan(s) of the Company or any subsidiary, or any payout to the NEO under the Company's Key Employee Share Option Plan or the Executive Deferred Compensation Plan II. Additional information about

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the amounts payable to the NEO in the event of retirement, death or permanent disability is presented separately after the table.

	<b>Richard J. Hipple</b>		<b>John D. Grampa</b>		<b>Daniel A. Skoch</b>	
	<b>Involuntary</b>	<b>Involuntary</b>	<b>Involuntary</b>	<b>Involuntary</b>	<b>Involuntary</b>	<b>Involuntary</b>
	<b>Not</b>	<b>or</b>	<b>Not</b>	<b>or</b>	<b>Not</b>	<b>or</b>
	<b>For Cause</b>	<b>Good Reason</b>	<b>For Cause</b>	<b>Good Reason</b>	<b>For Cause</b>	<b>Good Reason</b>
	<b>Termination</b>	<b>Termination</b>	<b>Termination</b>	<b>Termination</b>	<b>Termination</b>	<b>Termination</b>
	<b>after</b>	<b>after</b>	<b>after</b>	<b>after</b>	<b>after</b>	<b>after</b>
	<b>a Change in</b>	<b>a Change in</b>	<b>a Change in</b>	<b>a Change in</b>	<b>a Change in</b>	<b>a Change in</b>
	<b>Control</b>	<b>Control</b>	<b>Control</b>	<b>Control</b>	<b>Control</b>	<b>Control</b>
Base Salary/Annual						
Bonus	\$ 3,467,308	\$ 5,200,962	\$ 1,300,728	\$ 1,951,092	\$ 1,208,844	\$ 1,813,266
LTIP Bonus	611,832	611,832	184,940	184,940	176,578	176,578
Welfare Benefits	33,758	50,637	24,027	36,040	33,515	50,272
Additional Benefits Under Retirement Plans	40,737	61,105	52,055	78,082	47,549	71,324
SRBP Replacement Benefits	336,900	505,350	156,630	234,945	263,540	395,310
Nonelective Contribution Credit Under EDCP II	4,394	6,591				
Perquisites	20,000	104,909	20,000	63,881	20,000	86,684
Annual MPCP Bonus	N/A	1,052,454	N/A	307,164	N/A	276,822
Stock Options/SAR Accelerated Vesting	318,219	318,219	90,619	90,619	86,499	86,499
Restricted Stock Accelerated Vesting	924,571	924,571	305,966	305,966	312,306	312,306
<b>Total Without Gross-Up</b>	<b>\$ 5,757,719</b>	<b>\$ 8,836,630</b>	<b>\$ 2,134,965</b>	<b>\$ 3,252,729</b>	<b>\$ 2,148,831</b>	<b>\$ 3,269,061</b>
280G Gross-Up Payment	N/A	3,784,533	N/A	1,156,589	N/A	
<b>Total With Gross-Up</b>	<b>\$ 5,757,719</b>	<b>\$ 12,621,163</b>	<b>\$ 2,134,965</b>	<b>\$ 4,409,318</b>	<b>\$ 2,148,831</b>	<b>\$ 3,269,061</b>

(1)

The severance agreements include a tax gross-up provision under section 280G of the Internal Revenue Code that will apply for five years from the date of the agreement.

## **BENEFITS PAYABLE UPON RETIREMENT, DEATH OR DISABILITY UNDER INCENTIVE PLANS**

### ***Annual and Long-term Cash Incentive Plans***

*Management Performance Compensation Plan (MPCP).* The NEOs are participants in the Company's MPCP, which provides for annual, single-sum cash payments that are based on achieving preestablished financial objectives and qualitative performance factors. Generally, an executive must be employed on the last day of the plan year in order to receive an award under the MPCP. However, if an executive retires under a retirement plan of the Company or any subsidiary during a plan year, the executive will receive an award pro-rated to the beginning of the month following the executive's retirement date.

### ***2006 Stock Incentive Plan***

In March 2006, the Company adopted the Brush Engineered Materials Inc. 2006 Stock Incentive Plan (the 2006 Plan). The 2006 Plan authorizes the Compensation Committee to provide equity-based compensation in the form of performance restricted shares, performance shares, performance units, restricted shares, option rights, stock appreciation rights and restricted stock units for the purpose of providing incentives and rewards for superior performance.

*Performance Restricted Shares (PRS), Performance Shares (PS) and Restricted Shares (RS).* Each of the NEOs has received grants of PRS and PS under the 2006 Plan. The award agreements provide that all PRS will immediately vest if the executive dies or becomes permanently disabled while employed by the Company or any subsidiary during the applicable performance period. Assuming a termination of employment due to death or permanent disability on December 31, 2009, the value of accelerated vesting of the PRS would have been \$638,870; \$193,113 and \$184,380 for Messrs. Hipple, Grampa and Skoch, respectively. In addition, if the executive retires, a pro-rata portion of the PRS will vest at the end of the applicable performance period, provided that management objectives have been attained. Assuming a termination of employment due to retirement on December 31, 2009, the value of pro-rata accelerated vesting of the PRS would have been

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\$548,586; \$165,822 and \$158,332 for Messrs. Hipple, Grampa and Skoch, respectively. Each of the NEOs also has received grants of RS under the 2006 Plan. The RS award agreements provide that all RS will immediately vest if the executive dies or becomes permanently disabled while employed by the Company or any subsidiary during the applicable vesting period and that a pro-rata portion (or such higher portion as may be determined by the Compensation Committee in its sole discretion) of the RS will immediately vest if the executive retires during the applicable vesting period. Assuming a termination of employment due to death or permanent disability on December 31, 2009, the value of accelerated vesting of the RS would have been \$638,870; \$1193,113 and \$184,380 for Messrs. Hipple, Grampa and Skoch, respectively. Assuming a termination of employment due to retirement on December 31, 2009, the value of pro-rata accelerated vesting of the RS would have been \$548,586; \$165,822 and \$158,382 for Messrs. Hipple, Grampa and Skoch, respectively.

*Stock Options and Stock Appreciation Rights.* Each of the NEOs has received grants of stock options and/or stock appreciation rights under the 2006 Plan. The award agreements generally provide that awards terminate 190 days after termination of employment. However, the award agreements also provide that all awards will immediately vest if the executive dies while employed by the Company or any subsidiary or retires under a retirement plan of the Company or any subsidiary. At the discretion of the Committee, all awards will immediately vest upon a termination of the executive's employment under circumstances determined by the Board to be for the convenience of the Company. Assuming a termination of employment due to death, retirement or upon a termination of employment described in the preceding sentence on December 31, 2009, the value of any accelerated vesting of the awards would have been \$318,219; \$90,619 and \$86,499 for each of Messrs. Hipple, Grampa and Skoch, respectively, as the closing price on December 31, 2009 was lower than all but one grant price for each of the SAR grants.

## **RELATED PARTY TRANSACTIONS**

In 2002, we entered into life insurance agreements with several employees, including Mr. Skoch, and purchased life insurance policies pursuant to those agreements. These agreements, and the policies, which are owned by the employees, remain outstanding, and the portions of the premiums we paid are treated as loans to the employees, secured by the insurance policies, for financial purposes. The agreements require the employees to maintain the policies' cash surrender values in amounts at least equal to the outstanding loan balances. Mr. Skoch's principal balance, which has not changed since inception, is \$39,951. Interest on the loans is based on the applicable federal rate, which is currently 4.1%. Mr. Skoch paid \$1,155 in interest for the year.

We recognize that transactions between any of our directors or executive officers and us can present potential or actual conflicts of interest and create the appearance that our decisions are based on considerations other than the best interests of our shareholders. Pursuant to its charter, the Governance and Organization Committee considers and makes recommendations to the Board with regard to possible conflicts of interest of Board members or management. The Board then makes a determination as to whether to approve the transaction.

The Governance and Organization Committee reviews all relationships and transactions in which Brush Engineered Materials and its directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Our Secretary is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions in order to enable the Governance and Organization Committee to determine, based on the facts and circumstances, whether Brush or a related person has a direct or indirect material interest in the transaction. As set forth in the Governance and Organization Committee's charter, in the course of the review of a potentially material-related person transaction, the Governance and Organization Committee considers:

the nature of the related person's interest in the transaction;

the material terms of the transaction, including, without limitation, the amount and type of transaction;

the importance of the transaction to the related person;

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the importance of the transaction to Brush;

whether the transaction would impair the judgment of a director or executive officer to act in the best interest of Brush; and

any other matters the Governance and Organization Committee deems appropriate.

Based on this review, the Governance and Organization Committee will determine whether to approve or ratify any transaction which is directly or indirectly material to Brush or a related person.

Any member of the Governance and Organization Committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote with respect to the approval or ratification of the transaction; however, such director may be counted in determining the presence of a quorum at a meeting of the Governance and Organization Committee that considers the transaction.

**AUDIT COMMITTEE REPORT**

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the Company's systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the annual report with management, and discussed the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Committee has discussed with the independent registered public accounting firm the matters required to be discussed by the statement of Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence.

The Committee discussed with the Company's internal auditors and the independent registered public accounting firm the overall scope and plans for the respective audits. The Audit Committee meets with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Audit Committee held six meetings during 2009.

In reliance on these reviews and discussions, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2009 for filing with the Securities and Exchange Commission.

The current Audit Committee charter is available on our web site at [www.beminc.com](http://www.beminc.com).

William B. Lawrence (Chairman)  
Albert C. Bersticker  
Joseph P. Keithley  
William G. Pryor

Craig S. Shular

**Table of Contents****2. RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Ernst & Young LLP as the independent registered public accounting firm for the year 2010 and presents this selection to the shareholders for ratification. Ernst & Young LLP will audit our consolidated financial statements for the year 2010 and perform other permissible, preapproved services. Representatives of Ernst & Young LLP are expected to be present at the 2010 annual meeting. These representatives will have the opportunity to make a statement if they desire to do so and will respond to appropriate questions.

*Preapproval Policy for External Auditing Services*

The Audit Committee has established a policy regarding preapproval of all audit and non-audit services expected to be performed by our independent registered public accounting firm, including the scope of and estimated fees for such services. Our independent registered public accounting firm, after consultation with management, will submit a budget, based on guidelines set forth in the policy, for the Audit Committee's approval for its annual audit and associated quarterly reviews and procedures. Management, after consultation with our independent registered public accounting firm, will submit a budget, based on guidelines set forth in the policy, for the Audit Committee's approval for audit-related, tax and other services to be provided by our independent registered public accounting firm for the upcoming fiscal year. The policy prohibits our independent registered public accounting firm from providing certain services described in the policy as prohibited services. The Audit Committee approved all of the estimated fees described below under the heading External Audit Fees.

*External Audit Fees*

	<b>2009</b>	<b>2008</b>
Audit Fees	\$ 1,270,000	\$ 1,435,500
Audit-related Fees	54,000	54,000
Tax Fees	311,000	344,900
All Other Fees		
Total	\$ 1,635,000	\$ 1,834,400

**Audit Fees**

Audit fees consist of fees billed for professional services rendered for the integrated audit of our consolidated financial statements and the effectiveness of internal control over financial reporting and review of the interim consolidated financial statements included in quarterly reports and audits in connection with statutory requirements.

**Audit-related Fees**

Audit-related services principally include the audit of financial statements of our employee benefit plans.

**Tax Fees**

Tax fees include corporate tax compliance, tax advice and tax planning.

**All Other Fees**



We had no fees included in All Other Fees during 2009 or 2008.

**The Board of Directors of Brush Engineered Materials unanimously recommends a vote FOR Proposal 2 to ratify Ernst & Young LLP as the independent registered public accounting firm for the year 2010.**

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**SHAREHOLDER PROPOSALS**

We must receive by November 25, 2010, any proposal of a shareholder intended to be presented at the 2011 annual meeting of Brush Engineered Materials shareholders and to be included in our proxy, notice of meeting and proxy statement related to the 2011 annual meeting pursuant to Rule 14a-8 under the Exchange Act. These proposals should be submitted by certified mail, return receipt requested. Proposals of shareholders submitted outside the processes of Rule 14a-8 under the Exchange Act in connection with the 2011 annual meeting must be received by us on or before the date determined in accordance with our code of regulations or they will be considered untimely under Rule 14a-4(c) of the Exchange Act. Under our code of regulations, proposals generally must be received by us no fewer than 60 and no more than 90 days before an annual meeting. However, if the date of a meeting is more than 10 days from the anniversary of the previous year's meeting and we do not give notice of the meeting at least 75 days in advance, proposals must be received within 10 days from the date of our notice. Our proxy related to the 2011 annual meeting of Brush Engineered Materials shareholders will give discretionary authority to the proxy holders to vote with respect to all proposals submitted outside the processes of Rule 14a-8 received by us after the date determined in accordance with our code of regulations.

***Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 5, 2010.***

**This proxy statement, along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and our 2009 Annual Report, are available free of charge at <http://www.investor.shareholder.com/bw/financials.cfm>.**

**OTHER MATTERS**

We do not know of any matters to be brought before the meeting except as indicated in the notice. However, if any other matters properly come before the meeting for action of which we did not have notice prior to February 5, 2010, or that applicable laws otherwise permit proxies to vote on a discretionary basis, it is intended that the person authorized under solicited proxies may vote or act thereon in accordance with his or her own judgment.

By order of the Board of Directors,

Brush Engineered Materials Inc.

Michael C. Hasychak  
Secretary

Mayfield Heights, Ohio  
March 25, 2010

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Shareowner Services SMP.O. Box 64945 St. Paul, MN 55164-0945 COMPANY # Address Change?  
Mark box, sign, and indicate changes below:  TO VOTE BY INTERNET OR TELEPHONE, SEE REVERSE SIDE OF THIS PROXY CARD. TO VOTE BY MAIL AS THE BOARD OF DIRECTORS RECOMMENDS ON ALL ITEMS BELOW, SIMPLY SIGN, DATE, AND RETURN THIS PROXY CARD. The Board of Directors Recommends a Vote FOR all the nominees in Item 1 and a Vote FOR Item 2. 1. Election of directors: 01 Joseph P. Keithley 03 William R. Robertson  Vote FOR  Vote WITHHELD 02 Vinod M. Khilnani 04 John Sherwin, Jr. all nominees from all nominees (except as marked) (Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.) Please fold here Do not separate 2. Ratifying the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company.  For  Against  Abstain THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR EACH PROPOSAL. Date Signature(s) in Box Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.

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BRUSH ENGINEERED MATERIALS INC. ANNUAL MEETING OF SHAREHOLDERS Wednesday, May 5, 2010 11:00 A.M. Clarion Hotel 26300 Chagrin Blvd. Beachwood, OH 44122 Brush Engineered Materials Inc. 6070 Parkland Blvd. Mayfield Heights, OH 44124 proxy This proxy is solicited by the Board of Directors for use at the Annual Meeting on May 5, 2010. The shares of stock you hold in your account or in a dividend reinvestment account will be voted as you specify on the reverse side. If no choice is specified, the proxy will be voted FOR all the nominees in Item 1 and FOR Item 2. By signing the proxy, you revoke all prior proxies and appoint Richard J. Hipple and Michael C. Hasychak, and each of them with full power of substitution, to vote your shares on the matters shown on the reverse side and any other matters which may come before the Annual Meeting and all adjournments. Vote by Internet, Telephone or Mail 24 Hours a Day, 7 Days a Week Your phone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. 3 3 3 INTERNET PHONE MAIL [www.eproxy.com/bw](http://www.eproxy.com/bw) 1-800-560-1965 Mark, sign and date your proxy Use the Internet to vote your proxy Use a touch-tone telephone to card and return it in the until 12:00 p.m. (ET) on vote your proxy until 12:00 p.m. postage-paid envelope provided. May 4, 2010. (ET) on May 4, 2010. If you vote your proxy by Internet or by Telephone, you do NOT need to mail back your Proxy Card.