

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event
reported): November 1, 2005

Emerson Electric Co.

(Exact Name of Registrant as Specified in Charter)

Missouri

1-278

43-0259330

(State or Other
Jurisdiction of
Incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification Number)

8000 West Florissant Avenue
St. Louis, Missouri

63136

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code:

(314) 553-2000

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

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

On November 1, 2005, Emerson Electric Co. (the “Company”) and James G. Berges entered into a letter agreement and related consulting agreement (enclosed and summarized below) in connection with his previously announced voluntary resignation as a Director and as President of the Company, and retirement as an employee effective November 1, 2005.

Under the letter agreement, Mr. Berges agrees: (i) to provide consulting services to the Company for a period of two years following retirement; (ii) not to compete with Emerson or solicit to hire the employees of Emerson during the consulting agreement and for a period of five (5) years after the expiration of the consulting agreement, (iii) not to use or disclose any secret or confidential information; (iv) to release Emerson from all claims; and (v) to reaffirm his obligations under all other non-competition agreements he has with the Company.

As part of Mr. Berges’ retirement, the Compensation and Human Resources Committee of the Company’s Board of Directors has authorized, and the letter agreement provides, that: (i) as permitted in the shareholder-approved 1997 Incentive Shares Plan, Mr. Berges, as a retiree who was employed by the Company for two (2) years of the four (4) year plan period, will be eligible to receive a pro-rata (50%) payout of the performance shares under the Company’s 2004 Performance Share plan, subject to the applicable terms of the plan; (ii) as permitted in the shareholder-approved 1997 Incentive Shares Plan, two unvested restricted stock awards with 10 year terms, which were previously granted to Mr. Berges, will vest as normally scheduled in October 2007 and October 2010, as applicable; and (iii) commencing on November 1, 2005, Mr. Berges will be eligible to receive his monthly pension benefits earned as of that date under the Company’s all-employee retirement plan and the related supplemental plan, payable monthly and reduced as provided by the plans for early retirement. The foregoing items are described in the Company’s Proxy Statement for its 2005 Annual Meeting of Stockholders, and do not exceed the amounts disclosed therein with respect to Mr. Berges. In addition, in accordance with the provisions of the applicable shareholder-approved stock options plans relating to retiring participants, Mr. Berges’ unvested stock options will automatically vest on his retirement date and he will have up to five years from the date of his retirement (but no longer than the original term of his respective options) to exercise his outstanding stock options. If he violates his obligations to Emerson, Mr. Berges forfeits the performance share award, restricted stock, and the benefits under the supplemental plan described above, and the Company has the right to recover from him any gain he has realized on the exercise of the stock options described above.

During the two-year consulting agreement term, Mr. Berges agrees to be available to provide consulting and advisory services for up to 40 days in any 12-month period. The consulting agreement contains non-competition provisions similar to those in the letter agreement. His consulting fee will be \$250,000 per year, payable in equal monthly installments over the term. The Company will also reimburse Mr. Berges for necessary and reasonable business expenses incurred in connection with the consulting services and while he is consulting, the Company will continue to pay for a leased automobile, financial planning, and club membership, the value of which the Company estimates will be less than \$25,000 per year.

Copies of the letter agreement and consulting contract are attached as Exhibits 10.1 and 10.2 and are incorporated herein by reference. The foregoing summaries are qualified in their entirety by reference to the actual agreements.

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

- (b) The information provided in Item 1.01 of this Current Report on Form 8-K is hereby incorporated into this Item 5.02(b) by reference.
- (c) David Farr, Emerson's Chairman and Chief Executive Officer, was elected President of the Company by the Board of Directors on November 1, 2005.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number

Description of Exhibits

10.1 Letter Agreement effective as of November 1, 2005 by and between Emerson Electric Co. and James G. Berges.

10.2 Consulting Contract made and entered into as of November 1, 2005 by and between Emerson Electric Co. and James G. Berges.

SIGNATURE

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

EMERSON ELECTRIC CO.
(Registrant)

Date: November 4, 2005

By: /s/ H. M. Smith
H. M. Smith
Assistant General Counsel and
Assistant Secretary

Exhibit Index

Exhibit Number

10.1

10.2

Description of Exhibits

Letter Agreement effective as of November 1, 2005 by and between Emerson Electric Co. and James G. Berges.

Consulting Contract made and entered into as of November 1, 2005 by and between Emerson Electric Co. and James G. Berges.

[COMPANY LETTERHEAD]

November 1, 2005

James G. Berges
[Address]

Dear Jim:

I want to express to you on behalf of the entire Emerson Electric Co. organization our appreciation for your nearly 30 years of service to the company and the significant contributions you have made to Emerson as an executive officer and director. This letter agreement ("Agreement") serves to memorialize your resignation as an officer and director of Emerson and any other Emerson Entities of which you are an officer or director, all effective as of November 1, 2005, and your voluntary retirement from Emerson effective as of November 1, 2005, and sets forth our agreements in connection with your resignation and retirement. In this Agreement, references to "Emerson" means Emerson Electric Co. and references to "Emerson Entities" means Emerson and its business and operating units and its direct and indirect subsidiaries and affiliates, as the same may exist now or in the future, including those corporations or other legal entities in which Emerson has a direct or indirect ownership or investment interest of 20% or more.

In consideration of the good and valuable consideration provided to you pursuant to this Agreement, you agree:

1. You will not, without first obtaining written approval from Emerson: (a) make any public statement in the nature of a press release or media interview with respect to any aspect of your employment with any of the Emerson Entities, or (b) make any statement, written or oral, with respect to the past or projected future financial or operational performance, plans or methods of any of the Emerson Entities or concerning any of the directors, officers, employees or business or financial activities of any of the Emerson Entities. You also agree that you will not use, directly or indirectly for yourself or use for or disclose to any person or legal entity, other than Emerson or another Emerson Entity, any secret or confidential information or data regarding the business of any of the Emerson Entities. You will immediately deliver to Emerson without reproduction all such information or data in your possession. This includes, but is not limited to, business plans or strategies, product information, engineering information, customer lists, company policies and procedures, financial information and information concerning operational methods, employees, product development techniques or plans and business acquisition plans or programs.
 2. You will not hire or solicit to hire or assist anyone in soliciting or hiring any employee of Emerson or any of the other Emerson Entities for the longer of (a) a period of five (5) years from the effective date of your retirement or (b) a period ending five (5) years after the termination by Emerson or expiration of the term during which you are required to provide consulting services to Emerson and the Emerson Entities, as described in more detail in the accompanying Consulting Contract.
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3. Without Emerson's prior written consent, you will not compete, directly or indirectly, with Emerson or any of the other Emerson Entities for the longer of (a) a period of five (5) years from the effective date of your retirement or (b) a period ending five (5) years after the termination by Emerson or expiration of the term during which you are required to provide consulting services to Emerson and the Emerson Entities, as described in more detail in the accompanying Consulting Contract. For purposes of this Agreement, the term "compete" includes, without limitation, (a) any investment in, or providing services to (in any capacity), any equity fund, hedge fund or other investment vehicle (however structured) that, either directly or indirectly (through portfolio company investments or otherwise), competes directly or indirectly with Emerson or any of the other Emerson Entities (provided, however, that such investments shall not be covered if the fund or investment vehicle is open to the public and/or your interest is five percent (5%) or less) and/or (b) entering the employ of, providing consulting services to, or otherwise assisting or having any interest (financial or otherwise) in, any person, firm, corporation or other entity engaged in business activities competitive with any business of Emerson or of any of the other Emerson Entities. The foregoing shall not restrict you, however, from owning five percent (5%) or less of the securities of any competitor of Emerson or of any of the other Emerson Entities listed on any national securities exchange or traded over-the-counter as long as you have no other connection or relationship with the issuer of such securities. You agree that this non-compete restriction, including the time and scope, is reasonable in light of your in-depth knowledge of the total business of the Emerson Entities and as a result of your present and prior positions, duties and responsibilities with Emerson and the Emerson Entities and as a member of the Board of Directors of Emerson and as a result of your access to confidential and trade secret information relating to all of the businesses and units of the Emerson Entities. Also, we agree that if we have any dispute, which we feel sure will not occur, then Missouri law will apply and courts in Missouri will have exclusive jurisdiction. You also hereby reaffirm your obligations under all existing non-compete agreements that you have with Emerson, including your obligations (and the rights and remedies of Emerson) under the Emerson non-qualified supplemental executive retirement plan, the Emerson Incentive Share plans, the Emerson stock option plans and grant agreements (including the clawback provisions therein) and the Consulting Contract referred to in Paragraph A below, and you agree that your obligations under this Paragraph 3 are in addition to, and do not invalidate or otherwise supersede, your obligations under such other plans, agreements or contracts.
 4. You agree to release and discharge Emerson and the other Emerson Entities and their respective directors, officers, employees and agents from any and all liability except as set forth herein and, to that end, you agree to sign the accompanying Release of All Claims and the accompanying Covenant Not to Sue. The execution by you, and the effectiveness, of these accompanying documents are conditions precedent to the effectiveness of this Agreement. Further, if said documents are not effective, then this Agreement shall be null and void.
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5. You agree to keep this Agreement and any accompanying agreements or undertakings and their contents in strictest confidence and you will not divulge this Agreement or any accompanying agreements or undertakings or their contents to anyone other than members of your immediate family or financial advisors whom you ensure will comply with this provision as long as this Agreement and any accompanying agreements or undertakings and their contents are not made public by Emerson. You understand and agree that Emerson may disclose this Agreement and/or the terms hereof in its filings with the Securities and Exchange Commission or otherwise.

Subject to, and conditioned upon, your compliance with your obligations under Paragraphs 1 through 5 above, you will receive the compensation and benefits outlined below in connection with your retirement from Emerson:

- A. You will provide consulting services to Emerson and the Emerson Entities as provided in the accompanying Consulting Contract.
- B. In accordance with the terms of the applicable Emerson stock option plans, your unvested stock options will automatically vest on your retirement date and you will have up to five years from the date of your retirement (but no longer than the original term of your respective options) to exercise your stock options. You should note, however, that any of these stock options that are not exercised by you within ninety (90) days of the date of your retirement will become non-qualified stock options as required by Internal Revenue Service regulations.
- C. In accordance with the Emerson Incentive Shares Plan, as a result of your retirement, the Emerson Compensation and Human Resources Committee has approved that you receive, subject to the other applicable terms of the 2004 Performance Share Program, a pro rata payout (i.e., 50%) of the performance shares you would otherwise be eligible to receive under the 2004 Performance Share Program, consistent with the Emerson performance multiplier to target for all participants as determined by the Emerson Compensation and Human Resources Committee and payable at the time(s) provided therefor under the program. You will forfeit any payment under the 2004 Performance Share Program if you violate any of your obligations to Emerson or the other Emerson Entities.
- D. In accordance with the Emerson Incentive Shares Plan, as a result of your retirement, the Emerson Compensation and Human Resources Committee has approved that your unvested Restricted Stock Awards continue to vest at the time that they were normally scheduled to vest in October, 2007 and October, 2010, as applicable, and that you will continue to receive dividends and have voting rights. You will forfeit any dividends and the Restricted Stock will be cancelled if you violate any of your obligations to Emerson or the other Emerson Entities.
- E. Upon the date of your retirement, you will be eligible to receive your existing monthly pension benefits earned to date under the qualified all-employee Emerson Co. Retirement Plan and the related non-qualified supplemental executive retirement plan (which plan covers the benefits you would have been entitled to under the all-employee Retirement
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Plan were it not for the compensation limitations imposed under the Internal Revenue Code ("Code")). You will forfeit the pension benefits under the non-qualified supplemental executive retirement plan if you violate any of your obligations to Emerson or the other Emerson Entities. Payments of your pension benefits will be paid monthly in the manner set forth in the plans, subject to the terms and conditions of the plans, including reduction for early retirement and annuity options provided under the plans; provided, however, that the portion of your non-qualified supplemental executive retirement plan benefits which are not "grandfathered" from coverage under Section 409A of the Code shall be deferred for six months to the extent required by Code Section 409A.

- F. This Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri, without regard to conflict of law principles. It is conclusively deemed that this Agreement was entered into in the State of Missouri.
- G. Emerson and you agree that any legal action or proceeding with respect to this Agreement shall be brought and determined in the federal or state courts located in the State of Missouri, and Emerson and you submit with regard to any such action or proceeding to the exclusive jurisdiction of such courts.
- H. If I need assistance in reviewing or understanding this Agreement or any of the documents referenced in this Agreement, I acknowledge Emerson Electric Co. has advised me to consult with an attorney.

Please confirm that the foregoing represents your understanding of our entire agreement by signing in the space provided below.

Sincerely,

/s/ David N. Farr

David N. Farr
Chairman & Chief Executive Officer

ACCEPTED AND AGREED TO THIS 1st
DAY OF NOVEMBER, 2005:

/s/ James G. Berges

James G. Berges

CONSULTING CONTRACT

THIS CONSULTING CONTRACT ("Contract") is made and entered into as of this 1st day of November, 2005, by and between EMERSON ELECTRIC CO., a Missouri corporation ("Emerson"), and James G. Berges ("Consultant"). For purposes of this Contract, the term "Emerson Entities" means, collectively, Emerson and its business and operating units and its direct and indirect subsidiaries and affiliates, as the same may exist now or in the future, including those corporations or other legal entities in which Emerson has a direct or indirect ownership or investment interest of 20% or more.

WITNESSETH;

WHEREAS, Consultant was previously employed by Emerson, and

WHEREAS, Consultant retired from employment with Emerson; and

WHEREAS, Emerson desires to retain the services of Consultant, and Consultant desires to render such services, all upon the terms set forth herein.

NOW THEREFORE, in consideration of the premises and mutual covenants and agreements set forth herein, Emerson and Consultant agree to the following:

1. Consulting Term. Consultant is hereby retained by Emerson as Consultant and independent contractor to provide consulting services for a period of two (2) years commencing November 1, 2005 and ending October 31, 2007, unless this Contract is (a) sooner terminated by Emerson in accordance with Section 5 hereof or (b) extended for one or more term(s) by mutual agreement. For purposes of this Contract, "Term" shall mean the period during which Consultant is required to provide consulting services to Emerson or the other Emerson Entities.

2. Consulting Services. Consultant agrees that, during the Term, he will faithfully render consulting and advisory services as directed by the Chairman and Chief Executive Officer of Emerson or any other work assignments related to the conduct of the business of any Emerson Entities as may from time to time be requested of Consultant by officers of Emerson. Consultant hereby agrees that he will make himself available to provide such consulting and advisory services to the Emerson Entities

for a maximum of forty (40) days in the aggregate during any 12 month period.

3. Consulting Fees. In consideration for the consulting services and subject to the due performance thereof, Emerson will pay or cause to be paid to Consultant during the Term compensation at the annual rate of Two Hundred Fifty Thousand Dollars (\$250,000), to be paid to Consultant at the rate of Twenty Thousand Eight Hundred Thirty Three Dollars (\$20,833) per month on the 15th day of each month of the Term.

4. Expenses. Consultant shall be reimbursed for all necessary and ordinary expenses incurred by Consultant which are directly associated with the services rendered hereunder and which are not otherwise reimbursed to him, including by way of example but not limitation reasonable travel, lodging, meals, and business entertainment. In addition, Emerson agrees to make secretarial services available to Consultant as reasonably required by Consultant solely in connection with the consulting services provided by Consultant under this Contract. Furthermore, during the Term, Emerson will continue to pay, or reimburse Consultant for, Consultant's leased car and financial planning expenses and for the expenses of a club membership; provided, however, that such payments or reimbursements will be deferred for six months to the extent required under Section 409A of the Internal Revenue Code, as amended.

5. Termination. Emerson may, by notice in writing, terminate this Contract effective immediately upon written notice if Consultant:
- a) commits any breach of the terms or conditions hereof or of any other agreements or obligations that Consultant has with Emerson or any of the Emerson Entities;
 - b) fails to perform his duties and obligations as specified herein;
 - c) commits acts constituting willful fraud or dishonesty; or
 - d) commits fraud or dishonesty against any of the Emerson Entities or willful conduct involving a third party which may, in Emerson's sole discretion, impair the reputation of, or harm, any of the Emerson Entities, or any directors, officers, employees or agents of any of the foregoing.
6. Assignment. In the event that Emerson, or any corporation or other entity resulting

from any merger or consolidation referred to in this paragraph, merges or consolidates into or with any other entity or entities, or in the event that substantially all of the assets of Emerson are sold or otherwise transferred to another entity, the provisions of this Contract shall be binding upon and inure to the benefit of the entity resulting from such merger or consolidation or to which such assets are sold or transferred. This Contract shall not be assignable by Emerson or by any entity resulting from any such merger or consolidation or to which such assets are sold or transferred, except (i) to the continuing entity in, or the entity resulting from and as an incident of, any such merger or consolidation, or (ii) to the entity to which such assets are sold or transferred, and as an incident of such sale or transfer. Because this is a contract for personal services, neither this Contract nor any rights hereunder shall be assignable by Consultant.

7. Non-Competition Agreement. Consultant agrees that, for the longer of (i) a period consisting of the Term and for a period of five (5) years after the termination of the Term or (ii) five (5) years from and after November 1, 2005, Consultant will not, directly or indirectly, engage in competition with Emerson or any of the other Emerson Entities. For the purposes of this paragraph, the term "competition" shall mean (i) entering the employ of, providing consulting services to, or otherwise assisting or having any interest (financial or otherwise) in, any person, firm, corporation, or other entity engaged in business activities competitive with the business of Emerson or any of the other Emerson Entities, (ii) any investment in, or provision of services to (in any capacity), any equity fund, hedge fund or other investment vehicle (however structured) that, either directly or indirectly (through portfolio company investments or otherwise), competes directly or indirectly with Emerson or any of the other Emerson Entities (provided, however, that such investments shall not be covered if the fund or investment vehicle is open to the public and/or Consultant's interests therein are five percent (5%) or less) and/or (iii) soliciting, hiring, employing, or assisting anyone in soliciting, hiring or employing, any person employed by any of the Emerson Entities. Nothing herein shall restrict Consultant from owning five percent (5%) or less of the securities of any competitor of the Emerson Entities listed on any national securities exchange or traded over-the-counter as long as Consultant has no other

connection or relationship with the issuer of such securities. Consultant hereby acknowledges and agrees that the Confidential Information (as defined below) of Emerson and the other Emerson Entities has a significant economic and competitive value of at least five (5) years from November 1, 2005 and/or five (5) years after any such Confidential Information is provided to Consultant in connection with this Contract. The provisions of this Section 7 shall be in addition to and not in lieu of any other non-competition, non-solicitation, no-hire and any other like provisions or similar obligations of Consultant.

8. Confidential Information. Consultant will not for the Term of this Contract or at any time thereafter directly or indirectly use for himself or use for or disclose to any third party any Confidential Information of the Emerson Entities without Emerson's prior written consent. This provision shall be in addition to and not in lieu of any other like provisions or similar obligations of Consultant. As used herein, "Confidential Information" means all technical and business information relating to any of the Emerson Entities that is of a confidential, trade secret, and/or proprietary character, including without limitation that relating to:

- (a) the business or products of any of the Emerson Entities;
- (b) the costs, uses, or applications of, or the customers or suppliers (and information concerning transactions and prospective transactions therewith) for, products made, assembled, produced, or sold by any of the Emerson Entities;
- (c) any apparatus, method, system, or manufacturing or other process at any time used, developed, or investigated by or for any of the Emerson Entities, whether or not invented, developed, acquired, discovered, or investigated by Consultant;
- (d) financial information relating to any of the Emerson Entities, including past and projected future financial information and information relating to the profitability and profit margins of any of the Emerson Entities or their products or product lines; and
- (e) information relating to any of the Emerson Entities concerning business plans or strategies, operational methods, employees, research and development activities,

product development techniques or plans and business acquisition plans or programs.

Upon expiration or termination of this Contract, or at any other time upon the request of Emerson, Consultant shall promptly deliver to Emerson all Confidential Information in any form, whether written or otherwise, including without limitation all memoranda, notes, records, plats, sketches, plans, data, reports, or other documents or electronic media made or compiled by, delivered to, or otherwise acquired by Consultant concerning costs, uses, methods, designs, applications, purchases of or experience with products made or sold by any of the Emerson Entities, or any secret or confidential product, apparatus or process manufactured, used, developed, acquired, or investigated by Consultant or by any of the Emerson Entities.

9. Relationship of Parties. Consultant is an independent contractor and is not an employee or agent of Emerson or any of the other Emerson Entities. Consultant is not covered by or entitled to any benefits from Emerson or any of the other Emerson Entities (e.g. health, dental, medical, disability, or life insurance; pension, retirement, profit sharing, savings, incentive, or bonus plans; vacation days or vacation or severance pay) by virtue of this Contract; provided, however, that the foregoing shall not limit the rights and benefits to which Consultant is entitled pursuant to any other written agreements or retirement plans with Emerson.

10. Non-Waiver of Rights. The failure to enforce any provision of this Contract or to require performance by the other party of any provision hereof shall not be construed as a waiver of such provision or to affect either the validity of this Contract or any part hereof or the right of either party thereafter to enforce each and every provision in accordance with the terms of this Contract.

11. Invalidity of Provisions. If any provision of this Contract is unenforceable under applicable law, that shall not affect the validity or enforceability of the remaining provisions. To the extent that any provision of this Contract is unenforceable as stated, that provision shall not be void but rather shall be modified to the extent required by applicable law to permit such provision to be enforced to the maximum extent permitted by applicable law.

12. Equitable Remedy. Both Emerson and Consultant acknowledge that damages at law will not be adequate to compensate Emerson for a breach or threatened or anticipatory breach of this Contract by Consultant. Both parties agree and stipulate that Emerson, in addition to the legal remedies available, shall be entitled to any and all equitable remedies, including without limitation injunctive relief to prevent a breach or threatened or anticipatory breach by Consultant of any provision of this Contract.

13. Governing Law. This Contract shall be interpreted in accordance with and governed by the laws of the State of Missouri, without regard to conflict of law principles. It is conclusively deemed that this Contract was entered into in the State of Missouri.

14. Submission to Jurisdiction. Emerson and the Consultant hereby agree that any legal action or proceeding with respect to this Contract shall be brought and determined in the federal or state courts located in the State of Missouri, and Emerson and the Consultant hereby submit with regard to any such action or proceeding to the exclusive jurisdiction of such courts.

15. Amendments. No modification, amendment, or waiver of any of the provisions of this Contract shall be effective unless in writing and signed by the parties.

16. Notices. Any notice to be given by either party shall be in writing and shall be deemed to have been duly given if delivered or mailed, by certified or registered mail, postage prepaid, as follows:

To Emerson:

Emerson Electric Co.
8000 West Florissant Avenue
P. O. Box 4100
St. Louis, Missouri 63136
Attention: Sr. Vice President & General Counsel

To Consultant:

James G. Berges
[Address]

or to such other address as may have been furnished to the other party by written notice in accordance herewith.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed as of the day and year first above written.

EMERSON ELECTRIC CO.

BY: /s/ David N. Farr
Chairman and Chief Executive Officer

/s/ James G. Berges
James G. Berges