

CABOT MICROELECTRONICS CORP  
Form DEF 14A  
January 18, 2013  
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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES**

**EXCHANGE ACT OF 1934**

Filed by Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |                                     |  |                          |  |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/>            | Preliminary Proxy Statement  | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)). |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement   |                          |  |
| <input type="checkbox"/>            | Definitive Additional Materials  |                          |  |
| <input type="checkbox"/>            | Soliciting Materials Pursuant to Section 240.14a-11(c) or Section 240.14a-12 |                          |  |

**CABOT MICROELECTRONICS CORPORATION**

(Exact name of Registrant as Specified in Its Charter)

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:

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

(3)

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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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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**CABOT MICROELECTRONICS CORPORATION**

**870 North Commons Drive**

**Aurora, Illinois 60504**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To be held March 5, 2013

To our Stockholders:

We are notifying you that the Annual Meeting of Stockholders of Cabot Microelectronics Corporation will be held on Tuesday, March 5, 2013 at 8:00 a.m. local time at Cabot Microelectronics Corporation, 870 North Commons Drive, Aurora, Illinois 60504 for the following purposes:

1. To elect three directors, each for a term of three years;
2. To hold a non-binding stockholder advisory vote to approve our named executive officer compensation;
3. To ratify the selection of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as our independent auditors for fiscal year 2013; and
4. To transact other business properly coming before the meeting.

*Each of these matters is described in further detail in the accompanying proxy statement. We also have included a copy of our 2012 Annual Report. Only stockholders of record at the close of business on January 11, 2013 are entitled to vote at the meeting or any postponements or adjournments of the meeting. A complete list of these stockholders will be available at our principal executive offices prior to the meeting.*

We are again delivering our proxy statement and 2012 Annual Report under the United States Securities and Exchange Commission rules that allow companies to furnish proxy materials to their stockholders over the internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials to our stockholders, which is designed to reduce our printing and mailing costs and the environmental impact of the proxy materials. A paper copy of our proxy materials may be requested through one of the methods described in the Notice of Internet Availability of Proxy Materials.

Please use this opportunity to take part in our affairs by voting your shares. You are cordially invited to attend the meeting in person. If you wish to attend the meeting in person, please bring a valid form of photo identification to the meeting. If your stock is not registered in your own name and you plan to attend the meeting and vote in person, you should contact your broker or agent in whose name your stock is registered to obtain a broker's proxy and bring it to the meeting in order to vote at the meeting.

**Whether or not you plan to attend the meeting, your vote is important.** Please promptly submit your proxy by telephone, internet or mail by following the instructions found on your Notice of Internet Availability of Proxy Materials or proxy card. Your proxy can be withdrawn by you at any time before it is voted.

By order of the Board of Directors,

William P. Noglows

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Chairman of the Board

Aurora, Illinois

January 18, 2013, and is first being made available to stockholders electronically via the internet on or about January 18, 2013.

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**CABOT MICROELECTRONICS CORPORATION**

870 North Commons Drive

Aurora, Illinois 60504

**PROXY STATEMENT**

The Board of Directors of Cabot Microelectronics Corporation is asking for your proxy for use at the annual meeting of our stockholders to be held on Tuesday, March 5, 2013 at 8:00 a.m. local time, at Cabot Microelectronics Corporation, 870 North Commons Drive, Aurora, Illinois 60504 and at any postponements or adjournments of the meeting.

Pursuant to the rules and regulations adopted by the United States Securities and Exchange Commission ( SEC ), we have again elected to provide our stockholders with access to our proxy materials over the internet rather than in paper form. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials, rather than a printed copy of the proxy materials, to our stockholders of record as of January 11, 2013. We expect to mail the Notice of Internet Availability of Proxy Materials to stockholders entitled to vote at our annual meeting on or about January 18, 2013.

**ABOUT THE MEETING**

*What is the purpose of the annual meeting?*

At our annual meeting, stockholders will act upon the matters outlined in the accompanying notice of meeting, including the election of three directors, the non-binding stockholder advisory vote to approve our named executive officer compensation and the ratification of the selection of our independent auditors. In addition, our management will report generally on the fiscal year ended September 30, 2012 and respond to questions from stockholders.

*Why did I receive a notice in the mail regarding the internet availability of the proxy materials instead of a paper copy of the proxy materials?*

In accordance with rules and regulations adopted by the SEC, instead of mailing a printed copy of our proxy materials to all stockholders entitled to vote at our annual meeting, we are again furnishing the proxy materials and our 2012 annual report to our stockholders electronically via the internet. On or about January 18, 2013, we will mail to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access and review our proxy materials and our 2012 annual report. You will not receive a printed copy of the proxy materials. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review the proxy materials and submit your proxy via the internet. If you would like to receive a printed copy of the proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials for requesting printed materials.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held March 5, 2013:**

**The proxy statement and annual report to stockholders are available at [www.cabotcmp.com](http://www.cabotcmp.com) and [www.proxyvote.com](http://www.proxyvote.com).**  
*What are our voting recommendations?*

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Our board of directors recommends that you vote your shares **FOR** the election of each of the nominees named below under **ELECTION OF DIRECTORS** , **FOR** non-binding advisory approval of our named executive officer compensation and **FOR** the ratification of the selection of our independent auditors.



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### *Who is entitled to vote?*

Only stockholders of record at the close of business on the record date, January 11, 2013, are entitled to receive notice of the annual meeting and to vote the shares of common stock that they held on that date at the meeting, or any postponements or adjournments of the meeting. Each outstanding share of common stock entitles its holder to cast one vote, without cumulation, on each matter to be voted on.

### *What is the difference between holding shares as a record holder and as a beneficial owner?*

**Record Holder.** You are a record holder of our common stock if at the close of business on the record date your shares were registered directly in your name with Computershare Trust Company, N.A., P.O. Box 43078, Providence, Rhode Island 02940-3078, our stock transfer agent.

**Beneficial Owner.** You are a beneficial owner if at the close of business on the record date your shares were held by a broker, bank, custodian, nominee or other record holder of our common stock and not in your name. Being a beneficial owner means that, like most of our stockholders, your shares are held in street name. As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares by following the voting instructions your broker or other nominee provides. If you do not provide your broker or nominee with instructions on how to vote your shares, your broker or nominee will be able to vote your shares with respect to some of the proposals, but not all. Please see *What if I did not specify how my shares are to be voted?* for additional information.

### *What constitutes a quorum?*

If a majority of the shares outstanding on the record date are present at the annual meeting, either in person or by proxy, we will have a quorum at the meeting permitting the conduct of business at the meeting. As of the record date, we had approximately 23,276,787 shares of common stock outstanding and entitled to vote. Any shares represented by proxies that are marked to abstain from voting on a proposal will be counted as present for purposes of determining whether we have a quorum. If a broker, bank, custodian, nominee or other record holder of our common stock indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular matter, the shares held by that record holder (referred to as broker non-votes) will also be counted as present in determining whether we have a quorum.

### *How do I vote, and can I vote by telephone or through the internet?*

You may vote in person at the annual meeting or you may vote by proxy. If your stock is registered in your own name, you may vote in person by attending the meeting, presenting a valid form of photo identification and delivering your completed proxy card in person. If your stock is not registered in your own name and you plan to attend the meeting and vote in person, you should contact your broker or agent in whose name your stock is registered to obtain a broker's proxy and bring it to the meeting along with a valid form of photo identification. You may vote by proxy by signing, dating and mailing a proxy card. In addition, you may vote by telephone or through the internet by following the instructions below or those included in the Notice of Internet Availability of Proxy Materials.

To vote by telephone, if you are a record holder of our common stock, call toll free 1-800-690-6903 and follow the instructions provided by the recorded message. To vote by telephone if you are a beneficial owner of our common stock, call the toll free number listed in the Proxy Card or follow the instructions provided by your broker. For all holders of our common stock (whether record or beneficial), to vote through the internet, go to [www.proxyvote.com](http://www.proxyvote.com) and follow the steps on the secured website. You also may access the proxyvote website ([www.proxyvote.com](http://www.proxyvote.com)) or view our proxy materials by going to our website, [www.cabotcmp.com](http://www.cabotcmp.com), selecting Investor Relations on our Homepage, and then selecting Annual Meeting/Proxy from the drop down menu.

If you vote by proxy, the individuals named on the proxy card as proxy holders will vote your shares in the manner you indicate.

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*What if I do not specify how my shares are to be voted?*

**Record Holder.** If you are a record holder of our common stock and you sign and return the proxy card without indicating your instructions, your shares will be voted FOR :

the election of the three nominees for director named below under ELECTION OF DIRECTORS;

the non-binding advisory approval of our named executive officer compensation; and

the ratification of the selection of our independent auditors.

**Beneficial Owners.** If you are a beneficial owner and you do not provide the broker, bank, custodian, nominee or other record holder that holds your shares with voting instructions, such person will determine if it has the discretionary authority to vote on the particular matter. Under applicable rules, such person has the discretion to vote on routine matters such as the ratification of our independent auditors, but does not have discretion to vote on non-routine matters such as the election of directors and the non-binding stockholder advisory vote to approve our named executive officer compensation.

*Can I revoke my proxy or change my vote after I return my proxy card or after I vote electronically via the internet or by telephone?*

Yes. Even after you have submitted your proxy, you may revoke your proxy or change your vote at any time before the proxy is voted at the annual meeting by delivering to our Secretary a written notice of revocation or a properly signed proxy bearing a later date, or by attending the annual meeting and voting in person. (Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.) To revoke a proxy previously submitted electronically through the internet or by telephone, you may simply vote again at a later date, using the same procedures, in which case the later submitted vote will be recorded and the earlier vote revoked.

*What vote is required to approve each matter that comes before the meeting?*

Our bylaws provide that director nominees must receive the affirmative vote of a plurality of the votes cast at the meeting by stockholders entitled to vote thereon, meaning that the three nominees for director with the most votes will be elected. However, our Corporate Governance Guidelines, which are available through our website, [www.cabotcmp.com](http://www.cabotcmp.com), provide that in an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election (a Majority Withheld Vote ) shall promptly tender his or her resignation following certification of the stockholder vote for such election. In this situation, our nominating and corporate governance committee then shall consider the resignation offer and recommend to our board of directors whether to accept it. The board of directors then will act on the nominating and corporate governance committee's recommendation within ninety (90) days following certification of the stockholder vote for such election. Thereafter, the board of directors will promptly disclose its decision whether to accept the director's resignation offer (and the reasons for rejecting the resignation offer, if applicable), in a press release to be disseminated in the manner that we typically distribute press releases.

The non-binding stockholder advisory vote to approve our named executive officer compensation requires the affirmative vote of a majority of the votes cast at the meeting in person or by proxy by stockholders entitled to vote thereon. If the named executive officer compensation is not approved, then our compensation committee and our board of directors will meet following the annual meeting to consider the results of such non-binding stockholder advisory vote.

The ratification of the selection of our independent auditors requires the affirmative vote of a majority of the votes cast at the meeting in person or by proxy by stockholders entitled to vote thereon. If our independent auditors are not ratified, then our audit committee and our board of directors will meet following the annual meeting to consider the results of such non-binding ratification vote.

Abstentions and broker non-votes will not be counted for purposes of determining whether an item has received the requisite number of votes for approval.



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*What happens if additional proposals are presented at the meeting?*

Other than the matters described in this proxy statement, we do not expect any additional matters to be presented for a vote at the annual meeting. If you vote by proxy, your proxy grants the persons named as proxy holders the discretion to vote your shares on any additional matters properly presented for a vote at the meeting.

*Who will bear the costs of soliciting votes for the meeting?*

Certain directors, officers and employees, who will not receive any additional compensation for such activities, may solicit proxies by personal interview, mail, telephone or electronic communication. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to our stockholders. In addition to the mailing of these proxy materials, we have hired the firm of D.F. King & Co., Inc. to assist in the solicitation of proxies at an estimated cost of approximately \$8,000. We shall bear all costs of solicitation.

*I share the same address with another Cabot Microelectronics stockholder. Why has our household received only one Notice of Internet Availability of Proxy Materials?*

The SEC has adopted rules that permit companies and intermediaries (e.g. brokers) to satisfy the delivery requirements with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials addressed to those stockholders. This process, which is commonly referred to as householding, potentially means additional convenience for stockholders, cost savings for companies, and reduced environmental impact of our proxy materials.

A number of brokers with account holders who are stockholders will be householding the Notice of Internet Availability of Proxy Materials. As indicated in the notice previously provided by these brokers to stockholders, a single Notice of Internet Availability of Proxy Materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from an affected stockholder. Once you have received notice from your broker or us that they will be householding communications to your address, householding will continue until you are notified otherwise.

Stockholders who received a householded mailing this year and would like to have additional copies of the Notice of Internet Availability of Proxy Materials mailed to them, or would like to opt out of this practice for future mailings should submit a written request to our transfer agent, Computershare Trust Company, N.A., at P.O. Box 43010, Providence, Rhode Island 02940-3010 Attention: Shareholder Inquiries. We will promptly send additional copies of the Notice of Internet Availability of Proxy Materials upon receipt of such request.

Stockholders who currently receive multiple copies of the Notice of Internet Availability of Proxy Materials at their address and would like to request householding of their communications should contact their broker or, if stockholders are direct holders of shares of our common stock, they should submit a written request to our transfer agent, Computershare Trust Company, N.A., at P.O. Box 43010, Providence, Rhode Island 02940-3010 Attention: Shareholder Inquiries.

## **EFFECTS OF THE LEVERAGED RECAPITALIZATION WITH A SPECIAL CASH DIVIDEND**

### **COMPLETED MARCH 2, 2012**

On December 13, 2011, we announced that our board of directors determined to pursue a significant new capital management initiative, including a proposed leveraged recapitalization with a special cash dividend, intended to more efficiently allocate our company's capital and provide additional value to our stockholders. On February 13, 2012, our board of directors declared the special cash dividend of \$15 per share to our stockholders with a dividend payment date of March 1, 2012. On March 2, 2012, we completed the leveraged recapitalization and paid the special cash dividend.

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In accordance with the terms of our Second Amended and Restated Cabot Microelectronics Corporation 2000 Equity Incentive Plan, as Amended and Restated September 23, 2008 ( 2000 Equity Incentive Plan ), the maximum number and kind of shares of our common stock or other equity interest as to which awards may be granted, the number of shares of common stock or other equity interest subject to outstanding awards, and the exercise prices for outstanding options, were proportionally adjusted to preserve the value of such awards as a result of the leveraged recapitalization with a special cash dividend. In addition, in conjunction with the recapitalization, the 2000 Equity Incentive Plan required us to proportionally adjust the stock options and restricted stock units outstanding on the dividend payment date (March 1, 2012) to preserve the value of such awards as a result of the special cash dividend. Thus, as required by the 2000 Equity Incentive Plan, the exercise prices and the number of outstanding non-qualified stock options ( NQSOs ) were adjusted to reflect the special cash dividend. The exercise prices of outstanding NQSOs were reduced by multiplying them by a factor of 0.68933, representing the ratio of the official opening price of our common stock on the NASDAQ stock market of \$35.79 on March 2, 2012, the ex-dividend date, to the official closing price of our common stock on the NASDAQ stock market of \$51.92 on March 1, 2012, which was the last trading day immediately prior to the ex-dividend date. The number of outstanding NQSOs was increased by multiplying the number by a factor of 1.45068, representing the ratio of the official NASDAQ closing price of \$51.92 on the dividend payment date to the official NASDAQ opening price of \$35.79 on the ex-dividend date. This adjustment did not result in additional share-based compensation expense in the period as the fair value of the outstanding NQSOs immediately following the payment of the special cash dividend was equal to the fair value immediately prior to such distribution.

Similarly, the 2000 Equity Incentive Plan required that we adjust the number of outstanding restricted stock units ( RSUs ) as a result of the special cash dividend. The number of outstanding RSUs was increased by multiplying the number by a factor of 1.45068, representing the ratio of the official NASDAQ closing price of \$51.92 on the dividend payment date to the official NASDAQ opening price of \$35.79 on the ex-dividend date. This adjustment did not result in additional share-based compensation expense in the period as the fair value of the outstanding RSUs immediately following the payment of the special cash dividend was equal to the fair value immediately prior to such distribution.

Similar to the proportional adjustment to the outstanding NQSOs and RSUs, as required by the 2000 Equity Incentive Plan, the maximum number of shares issuable under the 2000 Equity Incentive Plan was proportionally adjusted to reflect the special cash dividend, and, as required by our new Cabot Microelectronics Corporation 2012 Omnibus Incentive Plan ( 2012 Omnibus Incentive Plan ), which was approved by our stockholders in March, 2012 and which replaces the 2000 Equity Incentive Plan for any subsequently granted awards, the maximum number of shares issuable under the 2012 Omnibus Incentive Plan also was proportionally adjusted to reflect the leveraged recapitalization with a special cash dividend.

The adjustments described above are reflected in the numbers set forth in this proxy statement.

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The following table sets forth certain information regarding the beneficial ownership of our common stock as of January 11, 2013 (except as indicated below) by:

all persons known by us to own beneficially 5% or more of our outstanding common stock;

each of our directors;

each of the named executive officers in the Compensation Discussion and Analysis Section and the Summary Compensation Table included in this Proxy Statement; and

all of our directors and executive officers as a group.

Unless otherwise indicated, each stockholder listed below has sole voting and investment power with respect to the shares of common stock beneficially owned by such stockholder.

**Stock Ownership Table**

<b>Name and Address</b>	<b>Number of Shares Beneficially Owned(1)</b>	<b>Approximate Percent of Class(1)</b>
<b>CERTAIN BENEFICIAL OWNERS:</b>		
1. Royce & Associates, LLC  745 Fifth Avenue  New York, New York 10151	3,109,941(2)	13.36%
2. Shapiro Capital Management LLC  3060 Peachtree Road, Suite 1555 N.W.  Atlanta, Georgia 30305	1,860,350(3)	7.99%
3. BlackRock, Inc.  40 East 52 <sup>nd</sup> Street  New York, New York 10022	1,777,381(4)	7.64%
4. Earnest Partners, LLC  1180 Peachtree Road, Suite 2300 N.E.  Atlanta, Georgia 30309	1,612,163(5)	6.93%
5. Kayne Anderson Rudnick Investment Management LLC	1,493,703(6)	6.42%

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1800 Avenue of the Stars, Second Floor

Los Angeles, California 90067

6. The Vanguard Group, Inc.	1,369,000(7)	5.88%
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P.O. Box 2600

Valley Forge, Pennsylvania 19482

7. Riverbridge Partners LLC	1,198,187(8)	5.15%
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80 South 8<sup>th</sup> Street, #1200

Minneapolis, Minnesota 55402

**DIRECTORS AND EXECUTIVE OFFICERS:**

William P. Noglows	1,180,214(9)	5.07%
Robert J. Birgeneau	75,427(9)	*
John P. Frazee, Jr.	125,568(9)	*
H. Laurance Fuller	122,890(9)	*
Richard S. Hill	6,375(9)	*
Barbara A. Klein	63,597(9)	*

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	Number of Shares Beneficially Owned(1)	Approximate Percent of Class(1)
Edward J. Mooney	71,906(9)	*
Steven V. Wilkinson	98,024(9)	*
Bailing Xia	73,087(9)	*
William S. Johnson	453,795(9)	1.95%
Daniel S. Wobby	232,294(9)	*
Adam F. Weisman	229,311(9)	*
H. Carol Bernstein	314,735(9)	1.35%
All directors and executive officers as a group (20 persons)	3,850,373(10)	16.54%

\* = less than 1%

- (1) Beneficial ownership generally means any person who, directly or indirectly, has or shares voting or investment power with respect to a security or has the right to acquire such power within 60 days. Shares of common stock subject to options, warrants or rights that are currently exercisable or exercisable within 60 days of January 11, 2013 are deemed outstanding for computing the ownership percentage of the person holding such options, warrants or rights, but are not deemed outstanding for computing the ownership percentage of any other person. The amounts and percentages are based upon 23,276,787 shares of our common stock outstanding as of January 11, 2013.
- (2) Of the shares reported as beneficially owned, Royce & Associates, LLC exercises (a) sole power to vote 3,109,941 shares, (b) shared power to vote 0 shares, (c) sole investment power over 3,109,941 shares, and (d) shared investment power over 0 shares. The total number of shares reported as beneficially owned is 3,109,941. Various accounts managed by Royce & Associates, LLC have the right to receive or power to direct the receipt of dividends from, or the proceeds of the sale of the shares. The number of shares indicated is based on information reported in the Schedule 13G Holdings Report filed by Royce & Associates, LLC on January 4, 2013.
- (3) Of the shares reported as beneficially owned, Shapiro Capital Management LLC exercises (a) sole power to vote 1,562,222 shares, (b) shared power to vote 298,128 shares, (c) no power to vote 0 shares, and (d) sole investment power over 1,860,350 shares. The total number of shares reported as beneficially owned is 1,860,350. The number of shares indicated is based on information reported in the Form 13F Holdings Report filed by Shapiro Capital Management LLC on November 14, 2012.
- (4) BlackRock, Inc. is the parent holding company of certain institutional investment managers. BlackRock, Inc. does not exercise, and disclaims, investment discretion with respect to securities positions over which its investment operating subsidiaries exercise such discretion. Although BlackRock, Inc. only reports 748 shares as beneficially owned, because of BlackRock, Inc.'s ownership interest in certain investment operating subsidiaries, it could be deemed to beneficially own an aggregate of 1,777,381 shares. Of such shares, BlackRock, Inc. and the investment operating subsidiaries of BlackRock, Inc., if taken together, exercise (a) sole power to vote 1,777,381 shares, (b) shared power to vote 0 shares, (c) sole investment power over 1,777,381 shares, and (d) shared investment power over 0 shares. This information has been aggregated based on information reported in the Form 13F Holdings Reports filed on November 13, 2012 by: (i) BlackRock, Inc. (748 shares); (ii) BlackRock Fund Advisors (1,074,209 shares); (iii) BlackRock Investment Management, LLC (72,157 shares); (iv) BlackRock Group Ltd. (18,212 shares); (v) BlackRock Institutional Trust Company, N.A. (611,533 shares); and (vi) BlackRock Japan Co., Ltd. (522 shares).
- (5) Of the shares reported as beneficially owned, Earnest Partners, LLC exercises (a) sole power to vote 620,931 shares, (b) shared power to vote 328,761 shares, (c) no power to vote 662,471 shares, and (d) sole investment power over 1,612,163 shares. The total number of shares reported as beneficially owned is 1,612,163. The number of shares indicated is based on information reported in the Form 13F Holdings Report filed by Earnest Partners, LLC on November 13, 2012.



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- (6) Of the shares reported as beneficially owned, Kayne Anderson Rudnick Investment Management LLC exercises (a) sole power to vote 1,493,703 shares, (b) shared power to vote 0 shares, (c) no power to vote 0 shares, and (d) sole investment power over 1,493,703 shares. The total number of shares reported as

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beneficially owned is 1,493,703. This information is based on information reported in the Form 13F Holdings Report filed by Kayne Anderson Rudnick Investment Management LLC on November 6, 2012.

- (7) Of the shares reported as beneficially owned, The Vanguard Group, Inc. exercises (a) sole power to vote 32,625 shares, (b) shared power to vote 0 shares, (c) no power to vote 1,336,375 shares, (d) sole investment power over 1,337,175 shares, and (e) shared investment power over 31,825 shares. The total number of shares reported as beneficially owned is 1,369,000. The number of shares indicated is based on information reported in the Form 13F Holdings Report filed by The Vanguard Group, Inc. on November 14, 2012.
- (8) Of the shares reported as beneficially owned, Riverbridge Partners LLC exercises (a) sole power to vote 962,446 shares, (b) shared power to vote 0 shares, (c) no power to vote 235,741 shares, and (d) sole investment power over 1,198,187 shares. The total number of shares reported as beneficially owned is 1,198,187. The number of shares indicated is based on information reported in the Form 13F Holdings Report filed by Riverbridge Partners LLC on November 13, 2012.
- (9) Includes shares of our common stock that such person has the right to acquire pursuant to stock options exercisable within 60 days of January 11, 2013, as follows:

Name	Upon Exercise Shares Issuable
Mr. Noglows	1,047,026
Mr. Birgeneau	61,850
Mr. Frazee	101,742
Mr. Fuller	61,850
Mr. Hill	1,875
Ms. Klein	49,520
Mr. Mooney	38,640
Mr. Wilkinson	47,344
Mr. Xia	58,224
Mr. Johnson	386,965
Mr. Wobby	191,742
Mr. Weisman	204,832
Ms. Bernstein	274,174

Also includes restricted shares of common stock awarded to such executive officer pursuant to the Second Amended and Restated Cabot Microelectronics Corporation 2000 Equity Incentive Plan, As Amended and Restated September 23, 2008 ( 2000 Equity Incentive Plan ), on December 1, 2009, December 1, 2010, and December 1, 2011, respectively, and pursuant to the Cabot Microelectronics Corporation 2012 Omnibus Incentive Plan ( 2012 Omnibus Incentive Plan ) on December 3, 2012, that are still subject to restrictions as of January 11, 2013, as set forth in the table below. On December 1, 2009, December 1, 2010, December 1, 2011, and December 3, 2012 as part of our annual equity incentive award program, we awarded restricted shares to our executive officers with restrictions that lapse in equal increments upon each anniversary over four years. The outstanding restricted stock awards are eligible to receive dividends and have voting rights.

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Name	Annual Equity Incentive Program			
	Restricted Shares			
	12/01/09	12/01/10	12/01/11	12/03/12
Mr. Noglows	6,250	12,500	16,500	25,000
Mr. Johnson	2,375	4,350	6,525	9,800
Mr. Wobby	1,575	3,200	5,175	6,900
Mr. Weisman	1,825	3,200	5,175	7,900
Ms. Bernstein	1,575	2,875	4,575	6,900

Also includes both restricted shares of common stock that such executive officer has purchased at fair market value as deposit shares and for which the executive officer has been awarded a matching grant of award shares, pursuant to our Executive Officer Deposit Share Program, that are still subject to restrictions (with respect to award shares) or conditions (with respect to deposit shares) as of January 11, 2013 as set forth in the table below. Under this program, our executive officers are entitled to voluntarily use all or a portion of their after-tax annual cash bonus compensation to purchase at fair market value shares of restricted stock awarded under the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan. These shares are retained on deposit with us until the third anniversary of the date of deposit (deposit shares), and our company matches the deposit with a restricted stock award equal to 50% of the shares deposited by the participant (award shares). If the participant is employed by our company on the third anniversary of the deposit date and the deposit shares have remained on deposit with us through such date, the restrictions on the award shares will lapse. Such executive officer has dividend and voting rights with respect to the restricted shares.

Name	Deposit Share Program Restricted Shares
Mr. Noglows	
Mr. Johnson	2,809
Mr. Wobby	7,351
Mr. Weisman	
Ms. Bernstein	880

Also includes restricted shares of common stock and restricted stock units awarded to such non-employee director pursuant to the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan that are still subject to restrictions as of January 11, 2013, as set forth in the table below. Until March 2011, for annual equity awards to non-employee directors, restricted stock units (prior to March 2010, restricted stock) were awarded with restrictions that lapse in equal increments upon each anniversary over four years. As of March 2011, for annual equity awards to non-employee directors, restricted stock units are currently awarded with restrictions that lapse in full upon the first anniversary of the award. Initial equity awards of restricted stock units (prior to March 2010, restricted stock) to non-employee directors are currently made with restrictions that lapse in equal annual increments beginning on the date of the award, as with awards to our employees, including our executive officers. Outstanding restricted stock awards are eligible to receive dividends and have voting rights but may not be sold or transferred. Outstanding restricted stock unit awards have the same economic value as shares of common stock but do not receive dividends and may not be voted or sold.

Name	Non-Employee Director Restricted Shares*
Mr. Birgeneau	3,951
Mr. Frazee	3,951
Mr. Fuller	3,951
Mr. Hill	3,875
Ms. Klein	3,951
Mr. Mooney	3,951
Mr. Wilkinson	3,951
Mr. Xia	3,951

\* Includes Restricted Stock Units



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Also includes phantom shares of our common stock that such non-employee director has the right to acquire pursuant to the Directors' Deferred Compensation Plan as of January 11, 2013, as follows:

Name	Phantom Shares
Mr. Birgeneau*	
Mr. Frazee**	14,749
Mr. Fuller	31,252
Mr. Hill*	
Ms. Klein*	
Mr. Mooney**	9,807
Mr. Wilkinson**	16,641
Mr. Xia*	

\* Messrs. Birgeneau, Hill and Xia and Ms. Klein are not participants in the Directors' Deferred Compensation Plan.

\*\* Messrs. Frazee and Wilkinson, as of January 1, 2008, and Mr. Mooney, as of January 1, 2009, elected to cease deferral of their compensation pursuant to the Directors' Deferred Compensation Plan.

(10) Includes 3,170,344 shares of our common stock that our directors and executive officers have the right to acquire pursuant to stock options exercisable within 60 days of January 11, 2013, 233,327 restricted shares of our common stock held by our executive officers still subject to restrictions as of January 11, 2013 (which include shares subject to restrictions or conditions pursuant to our Deposit Share Program), and 72,449 phantom shares of our common stock that our non-employee directors have the right to acquire pursuant to the Directors' Deferred Compensation Plan as of January 11, 2013.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and holders of more than 10% of our common stock to file with the Securities and Exchange Commission reports regarding their ownership and changes in ownership of our common stock. Based solely on our review of the reports furnished to us, we believe that all of our directors and executive officers have complied with all Section 16(a) filing requirements for fiscal year 2012.

**ELECTION OF DIRECTORS**

Our board of directors is currently comprised of nine directors. The board of directors is divided into three classes: Class I, whose terms will expire at the upcoming annual meeting of stockholders; Class II, whose terms will expire at the annual meeting of stockholders to be held in 2014; and Class III, whose terms will expire at the annual meeting of stockholders to be held in 2015. Messrs. Fuller, Hill and Mooney are currently in Class I, Messrs. Birgeneau, Wilkinson and Xia are currently in Class II, and Messrs. Frazee and Noglows and Ms. Klein are currently in Class III.

At each annual meeting of stockholders, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our certificate of incorporation provides that the authorized number of directors may be changed only by resolution of the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of directors. Our certificate of incorporation also provides that our board of directors may fill any vacancy created by the resignation of a director or the increase in the size of our board of directors.

The board of directors has nominated and urges you to vote FOR the election of the three nominees named below for terms of office ending in 2016.



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In the event a nominee is not available to serve for any reason when the election occurs, it is intended that the proxies will be voted for the election of the other nominees and may be voted for any substitute nominee. Our board of directors has no reason to believe that any of the nominees will not be a candidate or, if elected, will be unable or unwilling to serve as a director. In no event will the proxies be voted for a greater number of persons than the number of nominees named.

***Our board of directors recommends that you vote FOR the election to the board of each of the nominees named below.***

### *Nominees for Director for terms that expire in 2016:*

*H. Laurance Fuller, 74*, was elected a director of our company in June 2002. He also is a director of Abbott Laboratories. Mr. Fuller retired from the position of Co-Chairman of BP Amoco, p.l.c. in 2000 after serving as Chairman and Chief Executive Officer of Amoco Corporation since 1991 and President since 1983. He also has served as director of various entities including J.P. Morgan Chase, Motorola, Inc. and Security Capital Group Incorporated. Mr. Fuller received his B.S. in chemical engineering from Cornell University. Based upon Mr. Fuller's management and director experience and his technical background discussed above, and particularly pursuant to our Corporate Governance Guidelines, the board has evaluated Mr. Fuller's abilities and contributions according to the process described therein, and has concluded Mr. Fuller should continue to serve as a director of our company.

*Richard S. Hill, 61*, was elected a director of our company in June 2012. Mr. Hill retired as the Chairman and Chief Executive Officer of Novellus Systems, Inc., in the wake of its acquisition by Lam Research Corporation in 2012. Mr. Hill joined Novellus as its CEO in 1993 and was appointed its Chairman in 1996, serving continuously in these capacities until Novellus' acquisition by Lam. Prior to leading Novellus, Mr. Hill held various senior leadership and management positions with Tektronix, Inc., General Electric, Inc., Motorola, Inc., and Hughes Aircraft, Inc. Mr. Hill also serves on the boards of directors of Arrow Electronics, Inc., LSI Logic Corp., and Tessera Technologies, Inc.. He received a B.S. in bioengineering from the University of Illinois and a M.B.A. from Syracuse University. Based upon Mr. Hill's management and director experience and his technical background discussed above, the board has concluded Mr. Hill should serve as a director of our company.

*Edward J. Mooney, 71*, was elected a director of our company in March 2005. He also serves on the boards of directors of FMC Corporation, FMC Technologies, Inc., and the Northern Trust Corporation, and has served on the boards of Commonwealth Edison, Inc. and PolyOne Corporation. Mr. Mooney was the Delegee General-North America, Suez Lyonnaise des Eaux from March 2000 until his retirement in March 2001. From 1994 to 2000, he was Chairman and Chief Executive Officer of Nalco Chemical Company. Mr. Mooney received both a B.S. in chemical engineering and a J.D. from the University of Texas. Based upon Mr. Mooney's management and director experience and his knowledge of the chemical industry discussed above, the board has concluded Mr. Mooney should serve as a director of our company.

### *Directors whose terms continue until 2014:*

*Robert J. Birgeneau, 70*, was elected a director of our company in March 2005. He has been the Chancellor of the University of California, Berkeley since September 2004. He also holds a faculty appointment in the departments of physics and materials science and engineering there. From July 2000 until assuming his current position, Mr. Birgeneau served as the President of the University of Toronto. Prior to that, Mr. Birgeneau was the Dean of the School of Science at the Massachusetts Institute of Technology, and previously had been the chair of its physics department. Mr. Birgeneau received his B.S. in mathematics from the University of Toronto and his Ph.D. in physics from Yale University. Based upon Mr. Birgeneau's management experience and his science and technology background discussed above, the board has concluded Mr. Birgeneau should serve as a director of our company.

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*Steven V. Wilkinson*, 71, was elected a director of our company in April 2000. He is also a director of Entergy Corporation. Mr. Wilkinson has been retired since 1998. Prior to retirement, he was a partner of Arthur Andersen LLP. During his tenure with Arthur Andersen LLP, Mr. Wilkinson served clients across many industries, including chemical, electric and gas distribution, telecommunications, steel and transportation. He is a certified public accountant. Mr. Wilkinson received his B.A. in economics from DePauw University and his M.B.A. from the University of Chicago. Based upon Mr. Wilkinson's management experience and his accounting and finance background discussed above, the board has concluded Mr. Wilkinson should serve as a director of our company.

*Bailing Xia*, 57, was elected a director of our company in September 2007. He is the Chairman of Summer Leaf, Inc., a privately-held company, headquartered in Toronto, Canada, and has served in that role since 1996. He has been the Chief Representative in North America for China Central Television (CCTV) for education, science, technology, culture and health programs since 1994. In April 2007, Mr. Xia was appointed a Member of the Planning Committee of the China Development Bank. In February, 2010, Mr. Xia was appointed a Senior Advisor of China Certification & Inspection Group (CCIC). He also served as a director of Lingo Media International, Inc. Mr. Xia holds a degree in economics from Anhui University, and also graduated from the Sino-American Scientific Technology, Industry and Business Administration Program. Based upon Mr. Xia's management experience and his Asia-centric cross-border business experience, the board has concluded Mr. Xia should serve as a director of our company.

### *Directors whose terms continue until 2015:*

*John P. Frazee, Jr.*, 68, was elected a director of our company in April 2000. He has been a private investor since 2001 and has served as a senior advisor to Greenhill & Co., Inc. since November 2007. Prior to 1997, he served as President and Chief Operating Officer of Sprint Corporation, and before that as Chairman and Chief Executive Officer of Centel Corporation. Mr. Frazee also has served as director of various entities including the Chicago Board of Options Exchange, Dean Foods Company, Harris Bancorp, Homestead Village, Inc., Midway Airlines, Nalco Chemical Company, Paging Network, Inc., and Security Capital Group Incorporated. Mr. Frazee received his bachelor's degree in political science from Randolph-Macon College. Based upon Mr. Frazee's management and director experience discussed above, the board has concluded Mr. Frazee should serve as a director of our company.

*Barbara A. Klein*, 58, was elected a director of our company in April 2008. She retired in May 2008 as the Senior Vice President and Chief Financial Officer of CDW Corporation. Prior to that, Ms. Klein held a variety of senior finance positions including Vice President and Chief Financial Officer of Dean Foods Company, Vice President and Corporate Controller of Ameritech Corporation, and Vice President and Corporate Controller of Pillsbury Co. Ms. Klein also serves on the board of directors of Ingredion, Inc. She is a certified public accountant. Ms. Klein received a B.S. in accounting and finance from Marquette University, and a M.B.A. from Loyola University. Based upon Ms. Klein's management and director experience and her accounting and finance background discussed above, the board has concluded Ms. Klein should serve as a director of our company.

*William P. Noglows*, 54, has served as our Chairman, President and Chief Executive Officer since November 2003. Mr. Noglows also is a director of Littlefuse, Inc. and Aspen Aerogels, Inc. From 1984 through 2003, he served in various management positions at Cabot Corporation, culminating in serving as an executive vice president and general manager. While at Cabot Corporation, he was one of the primary founders of our company and was responsible for identifying and encouraging the development of the CMP application, which is the core of our business. Mr. Noglows had previously served as a director of our company from December 1999 until April 2002. Mr. Noglows received his B.S. in chemical engineering from the Georgia Institute of Technology. Based upon Mr. Noglows' management experience, his knowledge of our company and its operations, and his knowledge of the chemical and semiconductor industries, the board has concluded Mr. Noglows should serve as a director of our company.



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Our board of directors has a standing audit committee, a standing compensation committee and a standing nominating and corporate governance committee to assist the board of directors in the discharge of its responsibilities. Our board of directors has adopted the Cabot Microelectronics Corporation Corporate Governance Guidelines, which are available on our website, [www.cabotcmp.com](http://www.cabotcmp.com), along with other corporate governance materials, such as board of directors committee charters and our Code of Business Conduct. Pursuant to the Corporate Governance Guidelines, committee charters and other corporate governance materials and practices, our board of directors and audit committee periodically review and provide oversight of the management of various risk factors that are relevant to our company. Our board of directors also reviews annually the functioning of the board. During fiscal year 2012, our board of directors held twelve meetings and took action by written consent once. Each of our directors attended at least 75% of all the meetings of the board and those committees on which he or she served during fiscal year 2012. With respect to our annual meeting of stockholders in fiscal year 2012, all of our directors except Mr. Frazee attended. Since the end of fiscal year 2012, the board of directors has met three times and has not taken action by written consent. Stockholders and third parties may communicate with our board of directors through the Chairman of the Board, c/o the Secretary of our company at our offices at 870 North Commons Drive, Aurora, Illinois 60504.

***Independent Directors and Leadership Structure.*** The board of directors has determined that eight of our nine directors, including Messrs. Birgeneau, Frazee, Fuller, Hill, Mooney, Wilkinson, and Xia and Ms. Klein, are independent directors as defined in Rule 4200 of the National Association of Securities Dealers Automated Quotation ( NASDAQ ) Marketplace Rules and as defined in applicable rules by the SEC. In making its determinations of independence, in addition to consideration of the relevant SEC and NASDAQ rules (according to which the definition of independent director is set forth in our Corporate Governance Guidelines), the board of directors considered factors for each director such as any other directorships, any employment or consulting arrangements, and any relationship with our company's customers, suppliers or advisors. With respect to Mr. Frazee, the board considered the fact that in November 2007 Mr. Frazee became a Senior Advisor to Greenhill & Co., Inc., an investment banking firm that has served as a financial advisor to us pursuant to certain contractual arrangements; Mr. Frazee's work with or retention by Greenhill does not relate to our company. After a period of four years with no contractual arrangements with Greenhill, in 2011 we engaged Greenhill to advise us in connection with the leveraged recapitalization and special cash dividend that we announced in December 2011 and implemented in March, 2012, and to advise us with regard to certain strategic matters during the term of our agreement, which is now expired, with the firm. We paid Greenhill advisory fees of \$1,375,000 in 2011 for this work, and paid Greenhill an additional \$1,125,000 of advisory fees upon consummation of the leveraged recapitalization in March, 2012. Mr. Frazee recused himself from any and all discussions regarding our retention of Greenhill, and negotiation of, or information related to, our contractual arrangement with the firm. Our independent directors hold regularly scheduled meetings in executive session, at which only independent directors are present. As provided in our Corporate Governance Guidelines, the Chairman of the nominating and governance committee, Mr. Frazee, serves as chairman of the meetings of the independent directors in executive session and performs other responsibilities of a lead director such as working with the Chairman of the board of directors to plan and set the agenda for meetings of the board of directors. Mr. Noglows is the Chairman of the board of directors and Chief Executive Officer of our company. The board of directors believes that this leadership structure is appropriate for our company given the size and scope of our business, the experience and active involvement of our independent directors, and our corporate governance practices, which include regular communication with and interaction between and among Mr. Noglows and the independent directors. The board believes that this approach serves to provide for the board's role in corporate governance and guiding corporate policy in an efficient manner. Stockholders and third parties may communicate with our independent directors through the Chairman of the nominating and corporate governance committee, c/o the Secretary of our company at our offices at 870 North Commons Drive, Aurora, Illinois 60504. During fiscal year 2012, our independent directors met in executive session eight times. Since fiscal year end, our independent directors have met in executive session once.

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**Audit Committee.** The functions of the audit committee include selecting, appointing, retaining, compensating and overseeing our independent auditors, deciding upon and approving in advance the scope of audit and non-audit assignments and related fees, reviewing accounting principles we use in financial reporting, and reviewing the adequacy of our internal control procedures, including the internal audit function. The members of the audit committee are currently Messrs. Frazee, Hill and Wilkinson (Chairman) and Ms. Klein. Each of these audit committee members during fiscal year 2012 and currently:

is an independent director as defined in Rule 4200(a)(15) of the NASDAQ Marketplace Rules;

meets the criteria for independence as required by applicable rules adopted by the SEC;

has not participated in the preparation of our financial statements or the financial statements of any of our current subsidiaries at any time during the past three years; and

is able to read and understand fundamental financial statements.

Our board of directors has determined that the audit committee has at least one member who qualifies as an Audit Committee Financial Expert, as defined by relevant SEC rules, and has designated Mr. Wilkinson, the Chairman of the committee, as such Audit Committee Financial Expert. As previously stated, Mr. Wilkinson is an independent director. The audit committee operates under a written charter, a current copy of which is attached to this proxy statement as Appendix A and is available on our website, [www.cabotcmp.com](http://www.cabotcmp.com). The audit committee reviews and reassesses the adequacy of the audit committee charter on an annual basis. The audit committee has established procedures for the receipt, retention, and treatment of complaints received regarding accounting, internal accounting controls or auditing matters, as well as for the pre-approval of services provided by our independent auditors, both of which are also available on our website, [www.cabotcmp.com](http://www.cabotcmp.com). A current copy of the procedures for the pre-approval of services provided by our independent auditors is attached to this proxy statement as Appendix B. As set forth in the audit committee charter, the audit committee is also responsible for the review and approval of any related party transaction in advance of the company entering into any such transaction; since April 2002, we have not been engaged in any related party transactions and none have been proposed to the audit committee for consideration. The audit committee met nine times during fiscal year 2012 and did not take action by written consent, and has met two times since fiscal year end with respect to the audit of our fiscal year 2012 financial statements and related matters and has not taken action by written consent. In fulfillment of the audit committee's responsibilities for fiscal year 2012, Mr. Wilkinson, the audit committee Chairman, reviewed our Annual Report on Form 10-K for the fiscal year ended September 30, 2012 (as did the other members of the committee and board of directors), and our Quarterly Reports on Form 10-Q before we filed them, and Mr. Wilkinson and other members of the committee also reviewed quarterly earnings announcements and related matters before we released them.

**Compensation Committee.** The functions of the compensation committee include reviewing and approving the compensation and benefits for our employees, evaluating and deciding upon the compensation of our chief executive officer, evaluating and deciding upon the compensation of our other executive officers, which is done following consultation with our chief executive officer, monitoring the administration of our employee benefit plans, authorizing and ratifying stock option grants, restricted stock and restricted stock unit awards, other equity awards and other incentive arrangements, and authorizing employment and related agreements. Our chief executive officer is neither present for voting or deliberation on, nor votes upon decisions relating to, his compensation. In addition, our chief executive officer does not vote upon decisions related to the compensation of our other executive officers. Also, our chief financial officer, who also has responsibility for our human resources function, and our vice president of human resources and her staff support the compensation committee in its work by providing input and recommendations on the overall mix and forms of executive compensation as directed by the compensation committee. Our chief financial officer, vice president of human resources, and human resources staff do not make decisions regarding the amount of compensation for our named executive officers or other executive officers.

The compensation committee has engaged the services of a compensation consultant, W.T. Haigh & Company, Inc. ( W.T. Haigh ), which reports directly to the committee. The consultant has been engaged to

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advise the committee on executive compensation and equity incentive matters and trends and to perform benchmark comparison analysis of compensation practices of peer companies. From time to time, and as part of the committee's ongoing and annual reviews of executive officer compensation matters, the consultant recommends specific ranges of compensation for our executive officers, including our named executive officers, based on information provided by the committee regarding different performance scenarios and desired market placement. The consultant also advises the nominating and corporate governance committee on non-employee director compensation matters. The consultant provides no other services to our company. The compensation committee also has reviewed the independence of the consultant in light of new SEC rules and proposed NASDAQ listing standards regarding compensation consultants and has concluded that the consultant's work for the committee and for the nominating and corporate governance committee is independent and does not raise any conflict of interest.

The members of the compensation committee are Messrs. Birgeneau, Fuller (Chairman), Hill, Mooney and Xia, each of whom was during fiscal year 2012 and is now an independent director as defined in Rule 4200(a)(15) of the NASDAQ Marketplace Rules and as defined in applicable rules adopted by the SEC. The compensation committee operates under a written charter that addresses compensation matters, a current copy of which is available on our website, [www.cabotcmp.com](http://www.cabotcmp.com). The compensation committee reviews and reassesses the adequacy of the compensation committee charter on an annual basis. The compensation committee met seven times during fiscal year 2012 and did not take action by written consent, and has met three times since the fiscal year end with respect to 2012 annual bonuses, salary increases, stock option grants and restricted stock awards, and other matters, and has not taken action by written consent.

***Nominating and Corporate Governance Committee.*** The functions of the nominating and corporate governance committee include reviewing and recommending a slate of nominees for the election of directors, recommending changes in the number, classification and term of directors, reviewing nominations by stockholders with regard to the nomination process, reviewing and recommending compensation and other matters for our non-employee directors, and attending to general corporate governance matters. The members of the nominating and corporate governance committee are Messrs. Frazee (Chairman), Fuller and Wilkinson and Ms. Klein, each of whom was during fiscal year 2012 and is now an independent director as defined in Rule 4200(a)(15) of the NASDAQ Marketplace Rules and as defined in applicable rules adopted by the SEC. The nominating and corporate governance committee operates under a formal charter that addresses the nominations process and such related matters as may be required under the federal securities laws and NASDAQ listing requirements, a current copy of which is available on our website, [www.cabotcmp.com](http://www.cabotcmp.com). The nominating and corporate governance committee reviews and reassesses the adequacy of the nominating and corporate governance charter on an annual basis. The nominating and corporate governance committee met five times during fiscal year 2012, did not take action by written consent, and has met once since fiscal year end and has not taken action by written consent. The nominating and corporate governance committee acted unanimously to recommend the nomination of the Class I director nominees to the board of directors, subject to stockholder approval, as discussed in ELECTION OF DIRECTORS, above.

### **Criteria for Nominating Directors**

The nominating and corporate governance committee considers candidates to fill new directorships created by expansion and vacancies that may occur and makes recommendations to the board of directors with respect to such candidates. The nominating and corporate governance committee considers suggestions from many sources regarding possible candidates for director and will consider nominees recommended by stockholders. Any such stockholder nominations, together with appropriate biographical information, should be submitted to the Chairman of the nominating and corporate governance committee, c/o the Secretary of our company at our offices at 870 North Commons Drive, Aurora, Illinois 60504. To be included in the proxy statement, such nomination must be received by the Secretary of our company not later than the 120th day prior to the first anniversary of the date of the preceding year's proxy statement.

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In fiscal year 2012, we did not pay a fee to any third party to identify or evaluate potential director nominees; however, in the future we may pay a fee to a third party to identify or evaluate potential director nominees if the need arises, given the important role our directors play in guiding our strategic direction and overseeing the management of our company.

Board candidates are selected based upon various criteria including their character and reputation, relevant business experience and acumen, and relevant educational background. Some of the factors that are considered in evaluating candidates for the board of directors include experience in areas such as technology, manufacturing, marketing, finance, strategy, international business, and academia, as well as geographic, cultural, experiential and other forms of diversity. The nominating and corporate governance committee and board of directors review these factors, including diversity, in considering candidates for board membership. Board members are expected to prepare for, attend and participate in all board of directors and applicable committee meetings, and our annual meetings of stockholders. The nominating and corporate governance committee considers a director's past attendance record, participation and contribution to the board of directors in considering whether to recommend the reelection of such director.

**Compensation of Directors**

The following table shows information concerning the compensation that the company's non-employee directors earned during the last completed fiscal year ended September 30, 2012. A director who is also our employee receives no additional compensation for his or her services as a director.

**2012 Director Compensation**

Name	Fees Earned or Paid				Total (\$)
	in Cash (\$) <sup>1</sup>	Stock Awards (\$) <sup>2</sup>	Options Awards (\$) <sup>2</sup>	All Other Compensation (\$) <sup>3</sup>	
Robert J. Birgeneau	70,000	67,780	81,997		219,777
John P. Frazee, Jr.	97,500	67,780	81,997		247,277
H. Laurance Fuller	95,000	67,780	81,997		244,777
Richard S. Hill	41,250	136,080	162,053		339,383
Barbara A. Klein	82,500	67,780	81,997		232,277
Edward J. Mooney	70,000	67,780	81,997		219,777
Steven V. Wilkinson	107,500	67,780	81,997		257,277
Bailing Xia	70,000	67,780	81,997		219,777

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<sup>1</sup> Includes an annual retainer fee and committee fee, earned quarterly, and, as applicable, committee chairperson annual retainer fees, earned annually, each as discussed in more detail below. Dollar amounts are comprised as follows:

Name	Annual Retainer Fee	Committee Membership Fees	Committee Chair Fee
Robert J. Birgeneau	\$ 60,000	\$ 10,000	
John P. Frazee, Jr.*	\$ 60,000	\$ 22,500	\$ 15,000
H. Laurance Fuller**	\$ 60,000	\$ 20,000	\$ 15,000
Richard S. Hill	\$ 30,000	\$ 11,250	
Barbara A. Klein	\$ 60,000	\$ 22,500	
Edward J. Mooney	\$ 60,000	\$ 10,000	
Steven V. Wilkinson***	\$ 60,000	\$ 22,500	\$ 25,000
Bailing Xia	\$ 60,000	\$ 10,000	

\* Nominating and corporate governance committee chairman

\*\* Compensation committee chairman

\*\*\* Audit committee chairman

<sup>2</sup> The amounts in the column headed "Stock Awards" represent the aggregate award date fair value of awards made in fiscal year 2012 computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, Stock Compensation (ASC 718). For these restricted stock unit awards, the fair value is equal to the underlying value of the stock and is calculated using the closing price of our common stock on the award date. The actual value realized by a non-employee director related to restricted stock unit awards will depend on the market value of our common stock on the date the underlying stock is sold following vesting of the awards.

The amounts in the column headed "Option Awards" represent the aggregate grant date fair value of grants in fiscal year 2012 computed in accordance with ASC 718 (see Note 11 of Notes to Consolidated Financial Statements included in Item 8 of Part II of our Annual Report on Form 10-K for fiscal year 2012 for a description of the assumptions used in that computation). The actual value realized by a non-employee director related to option awards will depend on the difference between the market value of our common stock on the date the option is exercised and the exercise price of the option.

The award date fair market value computed in accordance with ASC 718, excluding the impact of estimated forfeitures for service-based vesting conditions, of each "Stock Award" awarded to our non-employee directors during fiscal year 2012 is as follows:

Name	Award Date	Number of Restricted Stock Units	Award Date Fair Value (\$)
Mr. Birgeneau	3/6/12	2,000	67,780
Mr. Frazee	3/6/12	2,000	67,780
Mr. Fuller	3/6/12	2,000	67,780
Mr. Hill	6/4/12	4,500	136,080
Ms. Klein	3/6/12	2,000	67,780

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Mr. Mooney	3/6/12	2,000	67,780
Mr. Wilkinson	3/6/12	2,000	67,780
Mr. Xia	3/6/12	2,000	67,780

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The grant date fair market value computed in accordance with ASC 718 (such amount is included in the amounts under Option Awards in the 2012 Director Compensation Table), and the grant date fair market value computed in accordance with SFAS 123R, excluding the impact of estimated forfeitures for service-based vesting conditions, of each Option Award granted to our non-employee directors during fiscal year 2012 is as follows:

Name	Grant Date	Number of Options	Grant Date Fair Value (\$)
Mr. Birgeneau	3/6/12	6,000	81,997
Mr. Frazee	3/6/12	6,000	81,997
Mr. Fuller	3/6/12	6,000	81,997
Mr. Hill	6/4/12	13,500	162,053
Ms. Klein	3/6/12	6,000	81,997
Mr. Mooney	3/6/12	6,000	81,997
Mr. Wilkinson	3/6/12	6,000	81,997
Mr. Xia	3/6/12	6,000	81,997

During fiscal year 2012, no awards to any of our non-employee directors were modified or cancelled (forfeited). Non-qualified Stock Option Awards and Restricted Stock Unit Awards outstanding pursuant to our 2000 Equity Incentive Plan were proportionally adjusted as mandated, and as described above in Effects of the Leveraged Recapitalization with a Special Cash Dividend Completed March 2, 2012 .

The aggregate number of stock awards and the aggregate number of stock option awards for each non-employee director that were outstanding as of the end of fiscal year 2012 are, as follows:

Name	Aggregate Number of Awards Outstanding as of September 30, 2012	
	Stock Awards*	Option Awards
Mr. Birgeneau	3,951	64,026
Mr. Frazee	3,951	103,918
Mr. Fuller	3,951	64,026
Mr. Hill	3,875	13,500
Ms. Klein	3,951	51,696
Mr. Mooney	3,951	40,816
Mr. Wilkinson	3,951	49,520
Mr. Xia	3,951	60,400

\* Includes Restricted Stock Units.

Our non-employee directors received an aggregate of 55,500 stock options and 18,500 restricted stock units in fiscal year 2012.

Restricted stock unit and stock option awards that were outstanding as of the date of our leveraged recapitalization completed on March 2, 2012 were adjusted as more fully described under Effects of the Leveraged Recapitalization with a Special Cash Dividend Completed March 2, 2012 and such adjustments are reflected in the table above reporting outstanding awards as of September 30, 2012.

<sup>3</sup> In accordance with Item 402(k)(2)(vii) of Regulation S-K and the adopting release thereto (Release 33-8732A), the dividends received on shares of unvested restricted stock by virtue of the dividend rights contained in the restricted stock award agreements and as part of our leveraged recapitalization with a special cash dividend completed on March 2, 2012 (as more fully described under Effects of the Leveraged Recapitalization with a Special Cash Dividend Completed March 2, 2012 ) are not reflected in this column. As required by relevant tax law, dividends received on shares of unvested restricted stock are treated as





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ordinary income for income tax purposes. Pursuant to the special cash dividend, each non-employee director (other than Mr. Hill, who did not become a director of our company until June, 2012, after the completion of the leveraged recapitalization with a special cash dividend) received dividends of \$22,500 on shares of unvested restricted stock.

As provided in our Corporate Governance Guidelines and the nominating and corporate governance committee charter, the nominating and corporate governance committee is responsible for reviewing and recommending to the board of directors compensation (cash and equity) for non-employee directors. The committee does this through review of director compensation benchmark information and analysis provided by W.T. Haigh, director compensation consultant to the committee.

As a result of such review following the close of fiscal year 2010, effective March 2011 at the time of our annual meeting, the board of directors, upon the recommendation of the nominating and corporate governance committee, approved certain changes to the compensation program for non-employee directors, as summarized below, and since then, non-employee directors have been eligible for the following compensation:

Description of Director Compensation Effective March 2011	Amount
<b>Annual Retainer Fee*</b>	\$ 60,000
<b>Committee Membership Fee*:</b>	
Audit committee member	\$ 12,500
Compensation committee member	\$ 10,000
Nominating and corporate governance committee member	\$ 10,000
<b>Committee Chair Annual Retainer Fees*:</b>	
Audit committee chairperson	\$ 25,000
Compensation committee chairperson	\$ 15,000
Nominating and corporate governance committee chairperson	\$ 15,000
<b>No Standing Committee or Board Meeting Fees**</b>	
<b>Annual Non-qualified Stock Option Grant***</b>	6,000 options
<b>Annual Restricted Stock Unit Award***</b>	2,000 units
<b>Initial Non-qualified Stock Option Grant****</b>	7,500 options
<b>Initial Restricted Stock Unit Award****</b>	2,500 units

\* Paid quarterly beginning with the quarter end following each the effective date of appointment, and subsequently, beginning with the quarter end following our annual meeting

\*\* To the extent a special committee is established by board of directors to address a unique matter, committee meeting fee of \$1,500 will be provided

\*\*\* Made at the time of our annual meeting, with 100% vesting occurring on the first anniversary of the grant/award date

\*\*\*\* Made as of the effective date of appointment to the board of directors, with vesting occurring 25% immediately on the grant/award date, and 25% per year on the next three anniversaries of the grant/award date

Upon a non-employee director's termination of service as a director of the company for reason of Death, Disability or a Change in Control, as defined in the 2000 Equity Incentive Plan, the 2012 Omnibus Incentive Plan and/or an award agreement, the grant or award will continue to be fully vested. In addition, if at the time of termination of service for any reason other than by reason of Cause, Death, Disability or a Change in Control, as defined in the 2000 Equity Incentive Plan, the 2012 Omnibus Incentive Plan and/or an award agreement, the non-employee director has completed at least two full terms as a director, as defined in our bylaws, the grant or award will continue to be fully vested.

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Under our Directors' Cash Compensation Umbrella Program, which only applies to non-employee directors and is filed as an exhibit to our Annual Report on Form 10-K filed with the SEC on December 10, 2003, each non-employee director may choose to receive his compensation either in cash, in fully vested restricted stock under our 2012 Omnibus Incentive Plan (and formerly under our 2000 Equity Incentive Plan) (as of the date the fees are earned, the fees would be converted into the equivalent number of fully vested restricted shares, which would be beneficially owned and reported on Form 4 filings), or as deferred compensation under our Directors' Deferred Compensation Plan, as amended September 23, 2008, which first became effective in March 2001, and is filed as an exhibit to our Annual Report on Form 10-K filed with the SEC on November 25, 2008. At present, non-employee directors receive their annual retainer and committee chair and member fees on a quarterly basis. Non-employee directors also are eligible for reimbursement of travel and other out-of-pocket costs incurred in attending meetings. Non-employee directors are not eligible for any other compensation arrangement.

Prior to January 1, 2008, Messrs. Frazee, Fuller, Mooney, and Wilkinson had each elected to defer his compensation to future periods under the Directors' Deferred Compensation Plan. Messrs. Frazee and Wilkinson, as of January 1, 2008, and Mr. Mooney, as of January 1, 2009, each elected to no longer defer his compensation under the plan. Under the Directors' Deferred Compensation Plan, deferred amounts are payable only in the form of our common shares. A participating director is required to elect a date on which deferred compensation will begin to be distributed, which date generally must be at least two years after the end of the year deferrals are made and no later than the date of termination. As of the date the compensation is earned, the fees are converted into the right to acquire the equivalent number of shares of common stock at the end of the deferral period. These rights to acquire shares under the Directors' Deferred Compensation Plan are reported as beneficially owned on Form 4 filings for each participating director. As of January 11, 2013, an aggregate of approximately \$1,775,790 of directors' compensation was deferred under the plan, and as of September 30, 2012, the amount was \$1,752,040.

### **Compensation Committee Interlocks and Insider Participation**

None of the current or former members of the compensation committee are or have been our employees.

**Table of Contents****FEES OF INDEPENDENT AUDITORS AND AUDIT COMMITTEE REPORT****Fees Billed by Independent Auditors**

During fiscal years 2012 and 2011, the audit committee pre-approved 100% of all audit and non-audit services provided by our independent auditors, PricewaterhouseCoopers LLP, an independent registered public accounting firm. For such pre-approval of services, the audit committee follows its policy for the pre-approval of services provided by our independent auditors, a current copy of which is attached to this proxy statement as Appendix B and also is available on our web-site, [www.cabotcmp.com](http://www.cabotcmp.com). The following table presents fees for audit services rendered by PricewaterhouseCoopers LLP for the audit of our annual financial statements for the fiscal year ended September 30, 2012, and September 30, 2011, and fees billed for other services rendered by PricewaterhouseCoopers LLP during those periods.

Fees	Fiscal Year Ended September 30, 2012 (\$)	Fiscal Year Ended September 30, 2011 (\$)
Audit Fees(1)	1,526,695	1,353,011
Audit-Related Fees(2)		
Tax Fees(3)	442,692	589,024
All Other Fees(4)	5,850	7,200
<b>Total</b>	<b>1,975,237</b>	<b>1,949,235</b>

- (1) Audit Fees include fees for professional services rendered by PricewaterhouseCoopers LLP for the audit of our annual financial statements and review of financial statements included in our Form 10-Q and for services that normally would be provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements. In addition to including fees for services necessary to perform an audit or review in accordance with generally accepted auditing standards, this category also may include services that generally only PricewaterhouseCoopers LLP reasonably can provide, such as comfort letters, statutory audits, attest services, consents and assistance with and review of documents filed with the SEC.
- (2) Audit-Related Fees include assurance and related services traditionally performed by PricewaterhouseCoopers LLP that are reasonably related to the performance of the audit or review of our financial statements and not reported under the Audit Fee heading, including any employee benefit plan audits, due diligence related to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards. For fiscal years 2012 and 2011, PricewaterhouseCoopers LLP did not provide any Audit-Related Services to us.
- (3) Tax Fees include all services performed by professional staff in PricewaterhouseCoopers LLP's and its foreign affiliates' tax divisions except those services related to the audit, and include fees for tax compliance, tax planning, and tax advice. Tax compliance generally involves preparation of original and amended tax returns, claims for refund and tax payment-planning services. Tax planning and tax advice encompass a diverse range of services, including assistance with tax audits and appeals, tax advice related to mergers and acquisitions, employee benefit plans and requests for rulings or technical advice from taxing authorities. For fiscal year 2012, \$314,487 out of the total \$442,692 for Tax Fees was for tax compliance services. For fiscal year 2011, \$322,175 out of the total \$589,024 for Tax Fees was for tax compliance services.
- (4) All Other Fees include fees for fiscal years 2012 and 2011 for access to on-line accounting research software tools and employee attendance at a corporate tax class sponsored by PricewaterhouseCoopers LLP.

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### **Report of the Audit Committee**

*The following report of the audit committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this report by reference therein.*

The audit committee of the board of directors is responsible for providing independent, objective oversight of our accounting and system of internal controls, the quality and integrity of our financial reports, and the independence and the selection, appointment, retention, compensation and oversight of the performance of our independent auditors. The audit committee is composed of independent directors and operates under a written charter, a current copy of which is attached to this proxy statement as Appendix A and is available on our website, [www.cabotcmp.com](http://www.cabotcmp.com). The audit committee reviews and reassesses the adequacy of the audit committee charter on an annual basis. Our board of directors has determined that the audit committee has at least one member who qualifies as an Audit Committee Financial Expert, as defined by relevant Securities and Exchange Commission ( SEC ) rules, and has designated Mr. Wilkinson, the Chairman of the committee, as such Audit Committee Financial Expert.

Management is responsible for our internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of our financial statements in accordance with generally accepted auditing standards and issuing a report on those financial statements. The audit committee monitors and oversees these processes.

In this context, the audit committee reviewed and discussed the audited financial statements for fiscal year 2012 with management and with the independent auditors. Specifically, the audit committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees), which include, among other things:

methods used to account for any significant and unusual transactions;

the effect of any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

the process used by management in formulating any particularly sensitive accounting estimates and the basis for the independent auditors' conclusions regarding the reasonableness of those estimates; and

any disagreements with management over the application of accounting principles, the basis for management's accounting estimates, and the disclosures in the financial statements.

The audit committee believes strongly in the principles underlying the requirement that independent auditors maintain their independence in strict compliance with applicable independence rules. The audit committee has received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent auditors the issue of the independent auditors' independence from the company and management. In addition, in accordance with the SEC's auditor independence requirements, the audit committee has considered whether the independent auditors' provision of non-audit services to the company is compatible with maintaining the independence of the independent auditors and has concluded that it is.

Based on its review of the audited financial statements and the various discussions noted above, the audit committee recommended to the board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012.

Respectfully submitted by the audit committee,

John P. Frazee, Jr.

Richard S. Hill

Barbara A. Klein

Steven V. Wilkinson, Chairman

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

In this section, we discuss and analyze our executive officer compensation program and how we compensated each of our named executive officers identified in the following table in fiscal year 2012. The individuals listed include our chief executive officer, chief financial officer and our three other most highly compensated executive officers based on total compensation.

<b>Name</b>	<b>Title</b>
William P. Noglows	Chairman of the Board, President and Chief Executive Officer
William S. Johnson	Vice President and Chief Financial Officer
Daniel S. Wobby	Vice President, Global Sales
Adam F. Weisman	Vice President, Business Operations
H. Carol Bernstein	Vice President, Secretary and General Counsel

**Fiscal Year 2012 Executive Compensation Summary**

Our executive compensation program is structured to align our named executive officers' interests with those of our stockholders, by linking compensation to business objectives and performance, and to attract and retain talented executives. In general, our executive officers, including William P. Noglows, our Chairman, President and Chief Executive Officer, and our other named executive officers, are eligible for, and participate in, our compensation and benefits programs according to the same general terms as those available to all of our employees. Our executive compensation program is administered by the compensation committee of our board of directors, which is composed solely of independent directors. The key elements of our executive compensation program are base salary, annual cash bonuses and long-term equity incentives. The compensation committee is responsible for determining the level of compensation paid to our named executive officers and our other executive officers. The compensation committee targets compensation levels that take into account current market practices and believes that offering market-comparable pay opportunities allows our company to maintain a stable, successful executive team.

Our company, led by Mr. Noglows and our other executive officers, including our named executive officers, again delivered solid financial results in fiscal year 2012. However, these financial results were not as strong as those in fiscal year 2011, which was a record year for us in terms of revenue, net income and earnings per share. We believe that the company's fiscal year 2012 results were primarily affected by adverse macroeconomic factors throughout the year affecting the global economy and the semiconductor industry. In spite of this, the company's successful plan for and implementation of our capital management initiative through the leveraged recapitalization with the special cash dividend of approximately \$347 million was a highlight of the company's performance in fiscal year 2012 as it not only delivered significant immediate value to our stockholders but was designed for more efficient allocation of the company's capital. In addition, despite the year's challenging economic environment, our company continued to grow our polishing pads business and to achieve significant revenue growth in South Korea, which represents the second largest chemical mechanical planarization (CMP) consumables market in the world and an area of strategic emphasis for the company in recent years. For fiscal year 2012, we reported annual revenue of \$427.7 million, annual net income of \$40.8 million, earnings per share of \$1.75, and gross profit margin of 47.7 percent of revenue. As described further below, costs for the implementation of our leveraged recapitalization with the special cash dividend, including higher operating expenses from professional fees and interest expense related to our new term loan used to finance a portion of the special cash dividend, adversely affected certain of our financial results, including net income, earnings per share and cash flow. The company's achievement of these results in fiscal year 2012, are attributable to the efforts of our global workforce, led by Mr. Noglows and the rest of our executive team, in the context of the global macroeconomic factors that impacted the semiconductor industry as discussed above. The company's performance in some areas exceeded the company's fiscal year 2012 performance goals overall that were

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established by the compensation committee of our board of directors, and in other areas did not meet such goals. The fiscal year 2012 performance goals were financial goals that included revenue, gross margin, earnings per share, and a cash flow measure, along with nonfinancial goals that included certain growth objectives.

As described in greater detail below, because of our company's overall performance in meeting or exceeding certain of our fiscal year 2012 performance goals, but not meeting certain other of such goals, based on the methodology for determining awards under our Annual Incentive Program, our employees earned annual cash bonuses under the Annual Incentive Program that resulted in smaller annual cash bonuses than in fiscal year 2011 based on the strong performance in fiscal year 2011 that had overall exceeded the fiscal year 2011 performance goals. Using a similar methodology, the compensation committee, in evaluating the performance of our company in fiscal year 2012 against our fiscal year 2012 performance goals, determined awards to be made under the Annual Incentive Program to our executive officers, including Mr. Noglows and our other named executive officers, which resulted in smaller annual cash bonuses being earned by them as compared with fiscal year 2011. Following the end of fiscal year 2012, the compensation committee awarded annual long term equity incentives under our 2012 Omnibus Incentive Plan that reflected values generally consistent with annual award cycles of the past few years. For 2012, the compensation committee awarded slight increases of 2% or less to the base salaries of our named executive officers (other than Mr. Noglows, who was awarded an increase of 3.8%), after having maintained the base salaries of all of our named executive officers at their fiscal year 2010 levels without any increases for 2011 consistent with the company's strategy to maintain base salaries in line with market comparables. Similarly for 2013, the compensation committee elected to award modest increases of 2.5% or less, or no increases, to the base salaries of our named executive officers for fiscal year 2013 (other than Mr. Noglows, who was awarded an increase of 4.5% by the compensation committee). In November 2012, the compensation committee established performance goals for our company for fiscal year 2013.

As described in detail under "Effects of the Leveraged Recapitalization with a Special Cash Dividend Completed March 2, 2012", in March 2012, we completed a leveraged recapitalization pursuant to which we paid a special cash dividend of \$15 per share to our stockholders. Our named executive officers and other executive officers are stockholders in our company, as are many of our employees and our non-employee directors, and as such, were entitled to receive the special cash dividend payment on shares they held in our company as of the record and payment date for the special cash dividend. In addition, in accordance with the terms of our 2000 Equity Incentive Plan, the maximum number and kind of shares of our common stock or other equity interest as to which awards may be granted, the number of shares of common stock or other equity interest subject to outstanding awards, and the exercise prices for outstanding options, were proportionally adjusted to preserve the value of such awards as a result of the special cash dividend. Our 2012 Omnibus Incentive Plan also required appropriate and equitable adjustment to the aggregate number and kind of shares of our common stock or other securities reserved for issuance and delivery under such plan, as well as the various maximum limitations with respect to certain types of awards and the grant to individuals of certain types of awards, in order to reflect the impact of the special cash dividend. Amounts set forth and discussed in this compensation discussion and analysis section, as well as in the beneficial ownership section, directors' compensation section, and compensation tables of this Proxy Statement reflect or explain these mandatory adjustments, the details of which are discussed under "Effects of the Leveraged Recapitalization with a Special Cash Dividend Completed March 2, 2012".

**Overview**

**General.** Our executive compensation program is administered by the compensation committee of our board of directors, which is composed solely of independent directors. The compensation committee is responsible for determining the level of compensation paid to our named executive officers and our other executive officers, including determining awards under and administering the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan. The compensation committee is also responsible for reviewing and establishing all other executive officer compensation programs and plans that we may adopt from time to time. During and for fiscal year 2012, the compensation committee made all decisions pertaining to the compensation of our named executive officers and our other executive officers. The compensation committee also reviewed and approved the

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methodology used for compensation of our general employee population. Our chief executive officer is neither present for voting or deliberation on, nor votes upon decisions relating to, his compensation. In addition, our chief executive officer does not vote upon decisions related to the compensation of our other executive officers. Although our chief executive officer evaluates the performance of our other executive officers, including the named executive officers, discusses the compensation and mix and forms of compensation of the other executive officers with the compensation committee's compensation consultant and with the committee, and makes recommendations to the committee with respect to the compensation of the other executive officers, the committee makes all final decisions regarding the executive officers' compensation. Also, our chief financial officer, who also has responsibility for our human resources function, and our vice president of human resources and her human resources staff, support the compensation committee in its work by providing input and recommendations on the overall mix and forms of executive officer compensation, and discuss such matters with the committee's compensation consultant, as directed by the compensation committee. Our chief financial officer, vice president of human resources and her human resources staff do not make decisions regarding the amount of compensation for our named executive officers or other executive officers, and are not present for voting or deliberation on, any such matters.

As part of its responsibilities pursuant to its charter, the compensation committee also authorizes and reviews the non-binding stockholder advisory vote to approve our named executive officer compensation, as described in our proxy statement. At our 2012 annual meeting of stockholders, our stockholders approved the company's named executive officer compensation, as described in our 2012 proxy statement, with approximately 98% of the votes cast in favor of the matter. Our compensation committee and our board of directors met following the 2012 annual meeting to consider the results of such non-binding stockholder advisory vote and made no changes to the company's executive compensation program as a result of such vote. The compensation committee has determined that the non-binding stockholder advisory vote to approve our named executive officer compensation should be submitted to our stockholders for approval annually.

***Compensation Policy and Overall Objectives.*** In determining the amount and composition of executive officer compensation, the committee's goal is to provide compensation that will enable us to:

attract and retain talented executives,

align compensation with business objectives and performance, and

link the interests of our executive officers to the interests of our stockholders.

In general, executive officers, including our Chairman, President and Chief Executive Officer and our other named executive officers, are eligible for, and participate in, our compensation and benefits programs according to the same general terms as those available to all of our employees. For example, the terms and conditions of our annual equity incentive awards under the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan are the same for our executive officers as they are for our other employees. Similarly, the health and welfare benefit programs are the same for all of our employees, including our named executive officers and other executive officers; all executive officers participate in the same Employee Stock Purchase Plan, tax-qualified savings plan (the 401(k) Plan) and non-qualified supplemental savings plan (the Supplemental Plan), according to the same terms, as all of our employees. Aside from the change-in-control severance protection agreements with our named executive officers and other executive officers, and employment agreement with Mr. Noglows, all of which are described in greater detail in the Executive Compensation section below, we do not have post-termination of service agreements with our executive officers. Our executive officers are eligible to participate in our Executive Officer Deposit Share Program, under which they are entitled to voluntarily use all or a portion of their after-tax bonus compensation to purchase, at fair market value, shares of restricted stock awarded under the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan. These shares are retained on deposit with us until the third anniversary of the date of deposit (deposit shares), and our company matches the deposit with a restricted stock grant equal to 50% of the shares deposited by the participant (award shares) subject to certain terms and conditions, as described in greater detail below.



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**Competitive Compensation and Benchmarking.** The compensation committee believes that each element of the compensation program should target compensation levels that take into account current market practices. Offering market-comparable pay opportunities allows us to maintain a stable, successful management team. Our direct competitors in our core business of developing, manufacturing, and selling CMP slurries and pads are generally not stand-alone publicly-traded entities; therefore, our market for compensation comparison purposes is comprised of a group of companies that develop, manufacture, supply or use a variety of semiconductor products and processes, including companies that have similar levels of revenue, market capitalization, and employment, as well as comparable geographic presence. The compensation committee considers changes to the composition of this group from time to time based on changes in our or others' business, and revised the group during fiscal year 2012 based on recommendations made by the outside compensation consultant to the compensation committee, W.T. Haigh. These revisions were made in light of changes in the size and scope of others' business and various mergers and acquisition activity in the prior group over the previous several years, and as other comparable companies are identified. The compensation committee first used the current group for comparison purposes as of the end of fiscal year 2012 to consider benchmarks for fiscal year 2012 annual cash bonuses, and fiscal year 2013 base salaries, annual cash bonus targets, and long term equity incentive awards (the prior group was used for comparison purposes for fiscal years 2009, 2010, and 2011). The current group, with additions and deletions from the prior group noted, is comprised of the following companies:

Advanced Energy Industries	Integrated Device Technology, Inc.
Aeroflex Holding Corp.*	Mattson Technology, Inc.
ATMI, Inc.	Micrel Semiconductor, Inc.
Axcelis Technologies, Inc.	Park Electrochemical Corp.*
Brooks Automation, Inc.	Photronics, Inc.
Ceradyne, Inc.**	PMC Sierra, Inc.
Cognex Corporation	QLogic Corporation
Coherent, Inc.	Rogers Corporation
Cree, Inc.	Semtech Corporation
Cymer, Inc.	Standard Microsystems**
Electro Scientific	Tessera Technologies, Inc.
Entegris, Inc.	Triquint Semiconductor, Inc.
FormFactor, Inc.	Veeco Instruments, Inc.
II-VI, Inc.	

\* This company was added as part of fiscal year 2012 revision to comparison group.

\*\* This company was acquired by another entity at the end of our fiscal year 2012, and will not be part of the comparison group subsequent to such fiscal year. In addition, Atheros Communications and Varian Semiconductor Equipment Associates, Inc., were acquired by other entities previously and were removed as part of fiscal year 2012 revision to comparison group.

In evaluating the comparison group for compensation purposes, the compensation committee, in consultation with an outside compensation consultant hired by the committee, currently W.T. Haigh, exercises its discretion and makes its judgment regarding executive officer compensation matters after considering all relevant factors. In general, it is the goal of the compensation committee that each element of compensation and total compensation for our named executive officers and our other executive officers fall within the 50<sup>th</sup> to 75<sup>th</sup> percentile for comparable positions within the comparison group. However, a direct correlation may not always exist between the roles, responsibilities, and tenure of each of our executive officers and those of the position that appears to best correspond to such individual at companies within the comparison group. In addition, a direct correlation may not always exist between the relevant time period of evaluation given that the fiscal year end of companies within the comparison group is in most cases different from the company's fiscal year end of September 30, thereby making direct or any comparison difficult, especially when significant macro-economic

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changes occur that materially affect business performance and therefore, compensation differently and in different reporting periods, for each the company and the companies within the comparison group. The timing of the commencement of the severe global economic recession that began in 2008 is one such example.

**Elements of Compensation**

The key elements of our compensation program for our named executive officers and other executive officers are:

base salary,

annual cash bonuses, and

long-term equity incentives.

In addition, we provide our named executive officers and other executive officers with:

change in control severance protection agreements, and in some limited circumstances post-termination agreements, and

the same retirement and other benefits provided to our employees generally.

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Descriptions of these elements and the reasons we provide them to our named executive officers and other executive officers are provided in the following table:

<b>Element</b>	<b>Description</b>	<b>Reason Provided</b>
Base Salary	Fixed amount paid in cash twice per month, as for all of our employees.	As for all of our employees, provides named executive officers with a steady, predictable amount of fixed income with merit increases from time-to-time based on performance and market comparisons (if provided, usually effective on January 1 of the calendar year following such evaluation).
Annual Cash Bonuses (Annual Incentive Program, pursuant to 2012 Omnibus Incentive Plan)	Cash payment made within 75 days following completion of fiscal year depending on company and individual performance, as for all of our employees.	As for all of our employees, aligns compensation with business objectives and performance by communicating goals and motivating individuals to achieve these goals, and rewarding performance actually achieved.
Long-Term Equity Incentives (2012 Omnibus Incentive Plan and prior thereto, the 2000 Equity Incentive Plan)	Restricted Stock Awards (Initial, Annual and Deposit Share Program) and Stock Option Grants (Initial, Annual).	As for all of our employees who receive awards pursuant to our equity incentive plan, at risk nature of equity awards links interests with those of our stockholders; provides ongoing retention mechanism over vesting periods.
Change in Control Severance Protection Benefits for Executive Officers and other Key Employees	Salary and other benefits paid if terminated within a certain period of time pursuant to a Change in Control of our company (three years salary and other benefits for Chief Executive Officer; two years for other Executive Officers other than Principal Accounting Officer; one year for Key Employees and Principal Accounting Officer).	Assures company of dedicated executive and key employee team, notwithstanding the possibility, threat or occurrence of a change in control; provides for continuity of executive management and key employees in the event of an actual or threatened change in control.
Retirement and other Benefits	401(k) savings plan, Supplemental Plan, basic life and disability insurance and limited perquisites, as for all of our employees.	Represents market practice and competitive factors; broad-based programs for all employees.

Each of these elements is also addressed separately below. In determining compensation for executive officers, the compensation committee considers all elements of an executive officer's total compensation package in comparison to current market practices, including change in control arrangements, ability to participate in savings plans and other benefits. On at least an annual basis, the compensation committee considers the base salary, annual cash bonus, and long-term equity incentive elements, and balance among each of these elements, of each executive officer's overall compensation.

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The receipt and retention by executive officers of certain elements of compensation, such as cash bonuses and equity-based compensation, are subject to our company's Code of Business Conduct, and the terms and conditions of relevant program, plan, and grant and award agreements, all of which include provisions that provide that the company may rescind or recover ( clawback ) from an executive officer, including post-separation of service, cash bonus and/or equity-based incentives paid or awarded to such executive officer immediately under certain circumstances, including, but not limited to, actions by the executive constituting Cause, as determined by the company in its discretion and as otherwise enforceable under local law and violation of the Cabot Microelectronics Corporation Code of Business Conduct, including those provisions related to financial reporting (e.g., in the event of a restatement caused by certain factors). In the event of any such rescission or right of recovery, the individual must repay the amount in question to the company, and the company shall be entitled to set-off against such amount any amount owed to the individual by the Corporation.

**Base Salaries.** The compensation committee regularly reviews each executive officer's base salary. Base salaries for executive officers are initially determined by evaluating the executive officers' levels of responsibility, prior experience, breadth of knowledge, internal equity issues and external compensation practices, with particular reference to the comparison group of companies. Increases to base salaries are driven primarily by performance and current market practices, and evaluated by the compensation committee based on sustained levels of contribution to the company in the context of our performance-based management process. In the past several years, depending on the level of performance of the company and each executive officer, this generally has meant base salaries in the 50th to 75th percentile of the salary ranges of similarly positioned executive officers in the comparison group of companies. The factors the compensation committee considers in determining base salary levels are not assigned specific weights. Rather, the compensation committee reviews all of the factors and makes base pay determinations that reflect the compensation committee's analysis of the aggregate impact of these factors.

Current market practices, as represented by a comparison to executive officer base salaries in the comparison group of companies continued to serve as the primary reference for the compensation committee with respect to deciding upon any changes to base salary for both fiscal year 2012 (effective as of January 1, 2012), and fiscal year 2013 (effective as of January 1, 2013), similar to fiscal year 2010 (effective as of January 1, 2010) and fiscal year 2011 (which changes, had there been any, would have been effective as of January 1, 2011). Over this period the comparative data likely reflect the lingering but more recently recovering effects of the significant adverse global economic conditions that began in 2008 and macroeconomic uncertainty that continued in 2012, since, for example, for fiscal year 2011 none of the then named executive officers, including Mr. Noglows, received any increases to their base salaries, despite our company's exceptional financial and operational performance for fiscal year 2010, and for fiscal year 2012, to remain competitive within our peer group, the named executive officers received only modest increases of 2% or less, and Mr. Noglows received an increase of 3.8%, despite continued strong performance for fiscal year 2011. Similarly, for fiscal year 2013, to remain competitive within our peer group, the named executive officers received only modest increases of 2.5% or less, or no increases, and Mr. Noglows received an increase of 4.5%, in the context of solid performance for fiscal year 2012.

Following fiscal year 2010 and upon review of each executive officer's performance in the fiscal year and compensation, regardless of our company's exceptional financial and operational performance for fiscal year 2010, the compensation committee, in considering merit salary increases to be effective January 1, 2011 for the calendar year, retained the base salaries of our then named executive officers, including Mr. Noglows, at the 2010 levels, without any increase. As discussed above, following fiscal year 2011 and upon review of each executive officer's performance in the fiscal year and compensation, regardless of our company's strong financial performance for fiscal year 2011, the compensation committee, in considering merit salary increases to be effective January 1, 2012 for the calendar year, awarded modest increases of 2% or less to the base salaries of our named executive officers for fiscal year 2012 (other than Mr. Noglows, who was awarded an increase of 3.8% by the compensation committee). Also as discussed above, following fiscal year 2012 and upon review of each executive officer's performance in the fiscal year and compensation, regardless of our company's solid performance for fiscal year 2012, the compensation committee, in considering merit salary increases to be effective January 1, 2013 for the calendar year, awarded modest increases of 2.5% or less, or no increases, to the

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base salaries of our named executive officers for fiscal year 2013 (other than Mr. Noglows, who was awarded an increase of 4.5% by the compensation committee). The resulting base salaries for 2013, 2012, and 2011 are as follows:

<b>Name</b>	<b>2013 Base Salary</b>	<b>2012 Base Salary</b>	<b>2011 Base Salary</b>
William P. Noglows	\$ 606,000	\$ 580,000	\$ 559,000
William S. Johnson	\$ 353,000	\$ 353,000	\$ 348,000
Daniel S. Wobby	\$ 320,000	\$ 320,000	\$ 314,300
Adam F. Weisman	\$ 339,300	\$ 332,700	\$ 326,200
H. Carol Bernstein	\$ 328,000	\$ 320,000	\$ 314,500

**Annual Cash Bonuses.** All of the company's employees are eligible to participate in the company's annual cash bonus program, which is called our Annual Incentive Program and (beginning in 2012) is administered pursuant to our 2012 Omnibus Incentive Plan, with executive officer, including named executive officer, bonuses, if any, determined by the compensation committee. As with all employees, executive officers opportunities to earn annual cash bonuses correspond to the degree to which our company achieves the annually-established goals. The compensation committee believes that an annual cash bonus program allows us to communicate specific goals that are of primary importance during such year and motivates executive officers to achieve these goals.

**Performance-Based Management Program and Company Performance Objectives:** At the beginning of each fiscal year, the compensation committee and board of directors establish specific performance goals for the company in accordance with our performance-based management process. These objectives are set to reflect the key elements of our annual plan and budget, and provide a common platform for our initiatives for the year. Throughout the year, our senior management periodically reviews the company's progress in achieving these goals with our board of directors and compensation committee. In November 2011, the board of directors and compensation committee approved our Fiscal Year 2012 Company Performance Objectives, which also served as our Performance Goals for the purposes of our Annual Incentive Program. As in prior years, the fiscal year 2012 Annual Incentive Program Performance Goals were chosen to encourage a particular and enhanced focus on certain aspects of our company's business strategy and objectives for all of our employees, including our named executive officers and other executive officers, and for which all of our executive officers collectively have responsibility for influencing and driving.

The board of directors and compensation committee selected as our Fiscal Year 2012 Company Performance Objectives and Annual Incentive Program Performance Goals financial measures that are consistent with those used by the investment community to evaluate the performance of our company, and which would be appropriate goals by which to incent the ongoing balanced performance of the company and its employees, including its executive officers, across all of its operational units, within the challenging economic and industry environment we faced in early fiscal year 2012. The Fiscal Year 2012 Company Performance Objectives and Annual Incentive Program Performance Goals with corresponding Weighting, Measures for evaluating attainment of such, and corresponding Performance Targets were as follows:

**Fiscal Year 2012 Company Performance Objectives:**

*Fiscal Year 2012 Annual Incentive Program Performance Goals (with corresponding Weighting, Measures, and Performance Targets), followed by (Fiscal Year 2012 Achievement):*

Revenue (25%) (Revenue, \$480.0 million)(\$427.5 million);

Gross Margin (20%) (Gross Profit, as a percentage of revenue, 48.5%, threshold of 46.0%)(47.7%);

Earnings Per Share (20%) (Earnings Per Share, \$2.90)(\$1.92\*);

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Net Cash from Operations Less Capital Additions (20%) (Net Cash from Operations Less Capital Additions, \$50.0 million\*)(\$53.1 million\*)

Achievement of Certain Business Opportunities (15%) (Achievement of Number of Certain Business Opportunities, 100%)(120%)

\* As a result of the company's implementation of the leveraged recapitalization with a special cash dividend, and as provided in the 2012 Omnibus Incentive Plan, the compensation committee approved adjustment of Measures for Earnings per Share and Net Cash from Operations Less Capital Additions to reflect the impact of the leveraged recapitalization with a special cash dividend, with the effect of excluding the adverse impact of \$0.17 on Earnings per Share, and \$6.3 million on Net Cash from Operations Less Capital Additions.

**Performance Goals, Bonus Pool and Bonus Calculation:** As in prior years, in fiscal year 2012, level of achievement of the noted five Fiscal Year 2012 Annual Incentive Program Performance Goals served as the mechanism by which the company determined the amount of funding for our Annual Incentive Program Bonus Pool ( "AIP Bonus Pool" ), which is approved by the compensation committee for all employees, including our named executive officers and other executive officers.

To determine the funding of the AIP Bonus Pool, the performance goals generally are weighted, based on their relative importance to achieving the company's overall goals. Then, for each performance goal, threshold, target and stretch metrics, or levels, of performance are established. Because each year our performance goals are set to reflect the key objectives of our annual plan and budget, the threshold, target and stretch metrics for each goal are designed to reflect increasing levels of difficulty, improvement, and motivation in achieving each level. For fiscal year 2012, consideration was given to the ameliorating but ongoing adverse global economic and industry conditions with renewed increasing macroeconomic uncertainty, and at the time anticipation of a cyclical slowdown in the semiconductor industry following what had been generally improving conditions, in setting the Performance Targets for the Annual Incentive Program Performance Goals. As part of our senior management's periodic review throughout the year of our progress in meeting our Company Performance Objectives and Annual Incentive Program Performance Goals with the compensation committee and board of directors, performance is discussed against a particular goal's threshold, target and stretch levels.

The threshold level of performance for a particular performance goal represents the lowest level of performance for which any bonus would be earned on that goal. The stretch level of performance represents the level for which the maximum bonus would be earned for that particular goal, and the target represents the target level of performance. The actual bonus, if any, attributable to each performance goal is calculated based on the actual performance compared to these threshold, target and stretch performance levels, and these are added together for all the performance goals to determine the funding of the AIP Bonus Pool. In turn, the AIP Bonus Pool is allocated for payment of bonuses to employees and executive officers, including our named executive officers. For fiscal year 2012, the bonus for a particular employee or executive officer was calculated by:

i) multiplying the salary of the employee or executive officer by the bonus target level established for the particular role or level of the employee or executive officer (expressed as a percentage of the individual's base salary, and set according to market pay practices), as described in greater detail for executive officers below;

ii) multiplied by a factor related to the overall achievement of the Annual Incentive Program Performance Goals (expressed as a percentage of the target level of performance); and

iii) multiplying this product by a factor that corresponds to an assessment of the individual performance of the employee or executive officer relative to the individual's own performance objectives. The compensation committee and board of directors approved and set the individual performance factor multiplier for each participant at the maximum level of 2.0, and the compensation committee retained discretion to reduce this amount.

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In addition, in certain years, in assessing the company's overall performance and calculating the funding of the AIP Bonus Pool for all of our employees, including our named executive officers and other executive officers, the compensation committee also considers certain additional factors, such as, for example, acquisition activity or significant events such as our leveraged recapitalization with the special cash dividend, or the impact of global or other events beyond the company's control, that may have affected our company's achievement of certain of the Performance Goals that the committee considered important in evaluating the company's performance for the particular fiscal year, but that were not able to be known to the company at the time the year's Annual Incentive Program Performance Goals and related metrics were established. As described above, in fiscal year 2012, and as provided in the 2012 Omnibus Incentive Plan, the only additional factor considered by the compensation committee in assessing the company's overall performance and calculating the funding of the AIP Bonus Pool was the leveraged recapitalization with the special cash dividend and its impact on the Performance Goals of Earnings per Share and Net Cash from Operations Less Capital Additions.

**Individual Executive Officer Bonus Target Levels and Cash Bonus Earned:** As described above, actual payouts for cash bonus awards are determined by the level of performance of our company, which as described above was solid for fiscal year 2012, and the individual performance of each employee, including each named executive officer and other executive officers, and may be higher or lower than the established individual's bonus target level depending upon performance relative to the pre-established goals. The compensation committee, in consultation with its outside compensation consultant, has established a bonus award target for each executive officer by evaluating factors such as external pay practices, with particular reference to the comparison group of companies (as described above, bonus award targets are established for each of our employees based on an individual's role or level). In this regard, for fiscal year 2012 the compensation committee retained the bonus award target for each named executive officer at the same level as each individual's bonus award target for fiscal year 2011. The bonus award targets and actual amounts earned for our named executive officers for fiscal year 2012 were as follows:

<b>Name</b>	<b>Bonus Target (as % of Base Salary)</b>	<b>Bonus Target (\$)</b>	<b>Actual Bonus Earned* (\$)</b>
William P. Noglows	100%	\$580,000	\$465,000
William S. Johnson	65%	\$229,450	\$184,200
Daniel S. Wobby	55%	\$176,000	\$122,000
Adam F. Weisman	65%	\$216,255	\$150,000
H. Carol Bernstein	55%	\$176,000	\$141,300

\* In assessing our company's and executive officers' achievement of the noted Performance Goals for purposes of the multiplier described above, the compensation committee concluded that a factor of approximately 73% percent had been achieved and the bonus pool was funded accordingly. In assessing each named executive officer's individual performance for fiscal year 2012, and for purposes of the multiplier described above, the compensation committee, pursuant to its ability to exercise negative discretion, ultimately decided upon factors ranging from approximately .95 to 1.10.

As discussed above, cash bonuses awarded to our executive officers are subject to rescission and recovery (clawback) by the company in certain circumstances.

**Fiscal Year 2013 Performance Management Program and Performance Goals:** In November 2012, the compensation committee and board of directors set our Fiscal Year 2013 Annual Incentive Program Performance Goals, generally using the process described above. Amounts earned under this program will be paid under the 2012 Omnibus Incentive Plan. The performance goals approved for Fiscal Year 2013 are: financial goals that include revenue, gross margin, earnings per share, and a cash flow measure, and a nonfinancial goal involving achievement of identified business opportunities. In addition, the compensation committee and board of directors approved and set the individual performance factor multiplier for each participant at the maximum level of 2.0, and the compensation committee retained discretion to reduce this amount.

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**Long-Term Equity Incentives.** Long-term equity incentives are provided to our named executive officers and other executive officers pursuant to the 2000 Equity Incentive Plan (prior to our stockholders' approval of the 2012 Omnibus Incentive Plan) and the 2012 Omnibus Incentive Plan (beginning after our stockholders' approval of the plan at our 2012 Annual Meeting of Stockholders). All of the company's employees are eligible to participate in the 2012 Omnibus Incentive Plan (and were eligible to participate in the 2000 Equity Incentive Plan prior to our stockholders' approval of the 2012 Omnibus Incentive Plan), with any and all awards to executive officers, including named executive officers, pursuant to it determined by the compensation committee. The compensation committee believes that equity-based compensation is an essential element in our overall compensation scheme. Equity-based compensation is emphasized in the design of our executive officer compensation program because it involves at-risk components of compensation that directly link our executive officers' interests with those of our stockholders. The compensation committee, in consultation with its outside compensation consultant, evaluates the balance of equity-based compensation with the base salary and cash bonus elements of cash compensation by considering factors such as external compensation practices, with particular reference to the comparison group of companies, the ability to achieve a desired balance between cash and equity-based compensation, and the financial impact to our company of providing various kinds and amounts of equity-based compensation to our employees, including our executive officers.

**Timing of Grants:** Initial or new-hire options and restricted stock may be awarded to employees, including our executive officers, when they join the company. Thereafter, options and restricted stock may be awarded to employees, including each executive officer, annually and from time to time based on performance. To enhance retention, options and restricted stock awarded to executive officers, as with awards to all other employees, are subject to vesting restrictions that generally lapse over a four-year period. Stock option grants to executive officers, whether new hire, occasional, or pursuant to our annual incentive program, may only be made upon specific approval by the compensation committee, as is the case with all other forms of equity-based compensation, such as restricted stock awards, and non-equity-based compensation for executive officers. Our stock option grant practice consistently has been that the exercise price for all of our stock option grants, including those to our executive officers, is the fair market value, as represented by the closing price on NASDAQ, of our stock on the stock option grant date, as approved by the compensation committee. For new hire grants, the grant date is the first day of employment for the grant recipient; for grants made pursuant to our annual grant program or at other times in particular circumstances, the latter of which has not occurred for any of our executive officers while serving as an executive officer, the grant date is the date of approval by the compensation committee or a subsequent date set by the committee in its approval. For our annual grant program, our practice for the past ten annual cycles has been that the one grant date for grants made to all employees, including all of our executive officers, occurs within approximately one to two weeks following the compensation committee's meeting (usually late November) to consider and decide upon performance and compensation-related matters for our employees, including specific evaluations and decisions regarding each of our executive officers, such as base salary increases, annual cash bonuses, and equity-based incentive awards following the close of our fiscal year on September 30. It is our practice to set a stock option's grant date only for a date certain on or subsequent to the date the grant is approved, and it is not our practice to set a stock option's grant date as a date prior to the date of approval for a grant (i.e., backdating). In addition, it is not our practice to make stock option grants while we are in possession, or in coordination with the release, of material non-public information regarding our company. To our knowledge, we have followed our stock option grant practices throughout our history as a publicly-traded company. While we do not have any current plans to change our stock option grant practices, circumstances may arise such that we might decide it is in the best interests of our business to do so in the future.

**Allocation Among Awards:** As permitted by the 2012 Omnibus Incentive Plan and prior thereto, the 2000 Equity Incentive Plan, our compensation committee awards a blend of non-qualified stock option grants and restricted stock awards (restricted stock units for our non-United States employees) to employees selected to receive awards, including the named executive officers and other executive officers, according to approximately a three-to-one ratio of non-qualified stock options granted to restricted stock awarded. Our compensation committee believes that this mix of awards competitively balances the types of equity incentives being awarded to our employees, and also appropriately addresses the financial impact of the expensing of equity-based



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compensation required pursuant to an accounting standard issued by the Financial Accounting Standards Board (ASC 718 SFAS 123R). We have provided this combination of restricted stock and stock option awards for the annual equity incentive award program grants to our employees, including our named executive officers, since fiscal year 2007. For more information regarding these awards, see Footnotes no. 1 and 2 to the 2012 Grants of Plan-Based Awards table.

**Size of Awards:** When determining awards for individual executive officers under the 2012 Omnibus Incentive Plan (and the 2000 Equity Incentive Plan prior to our stockholders' approval of the 2012 Omnibus Incentive Plan), the compensation committee primarily considers compensation practices and equity values awarded by the comparison group of companies, as well as the executive officer's level of current and potential future responsibility, and to some extent performance in the prior year. In determining award sizes, the compensation committee does not assign specific weights to these factors. Rather, the factors are evaluated on an aggregate basis. The compensation committee also considers the overall number of units to be awarded pursuant to our annual equity incentive award program to all employees with respect to consideration of our annual equity award run rate. In addition, the compensation committee considers the underlying economic value associated with equity incentive awards, and may decide to increase or decrease the award units to be awarded in an attempt to deliver a relatively consistent dollar value of awards from year to year. As an example, for our fiscal year 2010 annual equity incentive awards, which occurred on December 1, 2009, the compensation committee, upon the advice of its compensation consultant, decreased the overall number of units to be awarded to our employees, including our named executive officers and other executive officers, receiving such awards, relative to the fiscal year 2009 awards generally in order to reflect a dollar value of award delivered based upon the average near term recent price of our stock more consistent with the value delivered in fiscal year 2009. Again, for our fiscal year 2011 annual equity incentive awards, which occurred on December 1, 2010, the compensation committee, upon the advice of its compensation consultant, in general decreased the overall number of units to be awarded to our employees, including our named executive officers and other executive officers, receiving such awards, relative to the fiscal year 2010 awards generally in order to reflect a dollar value of award delivered based upon the average near term price of our stock more consistent with the value delivered in fiscal year 2010. For our fiscal year 2012 annual equity incentive awards, which occurred on December 1, 2011, the compensation committee, upon the advice of its compensation consultant, in general maintained a consistent overall number of units to be awarded to our employees, including our named executive officers and other executive officers, receiving such awards, relative to the fiscal year 2011 awards, and thus reflected a dollar value of award delivered based upon the average near term price of our stock consistent with the value delivered in fiscal year 2011. For our fiscal year 2013 annual equity incentive awards, which occurred on December 3, 2012, the compensation committee, upon the advice of its compensation consultant in general increased the overall number of units to be awarded to our employees, including our named executive officers and other executive officers, receiving such awards, relative to the fiscal year 2012 awards generally in order to reflect a dollar value of award delivered based upon the average near term price of our stock more consistent with the value delivered in fiscal year 2012; this increase partially reflected the impact of the leveraged recapitalization with a special cash dividend. These fiscal year 2013 annual equity incentive awards, which occurred on December 3, 2012, are shown in the following table:

<b>Name</b>	<b>Fiscal Year 2013</b>	<b>Fiscal Year 2013</b>
	<b>Non-Qualified Stock Option Grant (#)</b>	<b>Restricted Stock Award (#)</b>
William P. Noglows	75,000	25,000
William S. Johnson	29,400	9,800
Daniel S. Wobby	20,700	6,900
Adam F. Weisman	23,700	7,900
H. Carol Bernstein	20,700	6,900

In general, the compensation committee has not considered any actual amounts that may have been realized from prior equity-based compensation awards in awarding subsequent equity-based compensation, or other

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elements of compensation. However, in considering awards under the 2012 Omnibus Incentive Plan (and the 2000 Equity Incentive Plan prior to our stockholders' approval of the 2012 Omnibus Incentive Plan) to our employees, including executive officers, the compensation committee does consider whether equity-based awards that previously may have been made to them continue to fulfill the purposes of motivation and retention.

Our executive officers are also eligible to participate in the Executive Officer Deposit Share Program. See EXECUTIVE COMPENSATION Executive Officer Deposit Share Program, below. While all of our executive officers have equity ownership in our company through participation in various equity-based programs such as the Employee Stock Purchase Plan, Executive Officer Deposit Share Program, and our annual equity incentive award program, we do not currently have equity-ownership requirements or guidelines for our executive officers.

**Clawback Policy; Anti-Hedging or Anti-Pledging Policy:** As discussed above, equity-based compensation awarded to our executive officers is subject to rescission and recovery ( clawback ) by the company in certain circumstances. In addition, all equity-based compensation is subject to all of the terms of our 2000 Equity Incentive Plan or the 2012 Omnibus Incentive Plan (as applicable), the respective grant and award agreements for particular grants and awards, our Code of Business Conduct, our Insider Trading and Non-Disclosure Policy, including Trading Guidelines for Directors, Executive Officers and Other Key Employees, and our Reporting Requirements and Trading Guidelines for Directors and Executive Officers Under Section 16 of the Securities and Exchange Act and Rule 144 Under the Securities Act of 1933; as applicable, noted policies and procedures apply to any and all equity in our company held by our executive officers. For example, our executive officers, as well as our directors and designated other key employees, observe various requirements, such as those related to quarterly trading and other blackout periods, and affirmative pre-clearance of any transactions in our company's securities. Our executive officers and directors do not hedge or pledge equity in our company.

***Change in Control Severance Protection Benefits.*** The terms and conditions of the change in control severance protection agreements with our named executive officers and the employment agreement with Mr. Noglows are described in more detail in the section entitled Executive Compensation below. The board of directors and compensation committee originally determined the terms and conditions of the change in control severance protection agreements, including the severance benefit payable, and the triggering events for the payment of such severance benefit, pursuant to such agreement, in consultation with their outside compensation consultant and our financial and other advisors, and considered external practices at similarly situated companies regarding change in control arrangements. The board of directors and compensation committee also review the costs and benefits of the change in control severance protection agreements periodically. As a result of the most recent review, the board of directors and compensation committee, with advice from the committee's outside compensation consultant regarding market practices, determined that the cost to the company and the competitiveness of such agreements remain reasonable and appropriate. The agreements are described in more detail in the section entitled Executive Compensation below.

***Retirement and Other Benefits.*** We have adopted various employee benefit plans and arrangements for the purpose of providing employee benefits to our employees, including our executive officers. In general, the same terms apply to all of our employees, including our executive officers. These plans and arrangements include our Employee Stock Purchase Plan, the 401(k) Plan, and the Supplemental Plan.

***Effects of the Leveraged Recapitalization with a Special Cash Dividend.*** On December 13, 2011, we announced that our board of directors determined to pursue a significant new capital management initiative, including a proposed leveraged recapitalization with a special cash dividend, intended to more efficiently allocate our company's capital and provide additional value to our stockholders. On February 13, 2012, our board of directors declared the special cash dividend of \$15 per share to our stockholders with a dividend payment date of March 1, 2012. On March 2, 2012, we completed the leveraged recapitalization and paid the special cash dividend.

In accordance with the terms of the 2000 Equity Incentive Plan, the maximum number and kind of shares of our common stock or other equity interest as to which awards may be granted, the number of shares of common stock or other equity interest subject to outstanding awards, and the exercise prices for outstanding options, were

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proportionally adjusted to preserve the value of such awards as a result of the leveraged recapitalization with a special cash dividend. In addition, in conjunction with the recapitalization, the 2000 Equity Incentive Plan required us to proportionally adjust the stock options and restricted stock units outstanding on the dividend payment date (March 1, 2012) to preserve the value of such awards as a result of the special cash dividend. Thus, as required by the 2000 Equity Incentive Plan, the exercise prices and the number of outstanding non-qualified stock options ( NQSOs ) were adjusted to reflect the special cash dividend. The exercise prices of outstanding NQSOs were reduced by multiplying them by a factor of 0.68933, representing the ratio of the official opening price of our common stock on the NASDAQ stock market of \$35.79 on March 2, 2012, the ex-dividend date, to the official closing price of our common stock on the NASDAQ stock market of \$51.92 on March 1, 2012, which was the last trading day immediately prior to the ex-dividend date. The number of outstanding NQSOs was increased by multiplying the number by a factor of 1.45068, representing the ratio of the official NASDAQ closing price of \$51.92 on the dividend payment date to the official NASDAQ opening price of \$35.79 on the ex-dividend date. This adjustment did not result in additional share-based compensation expense in the period as the fair value of the outstanding NQSOs immediately following the payment of the special cash dividend was equal to the fair value immediately prior to such distribution.

Similarly, the 2000 Equity Incentive Plan required that we adjust the number of outstanding restricted stock units ( RSUs ) as a result of the special cash dividend. The number of outstanding RSUs was increased by multiplying the number by a factor of 1.45068, representing the ratio of the official NASDAQ closing price of \$51.92 on the dividend payment date to the official NASDAQ opening price of \$35.79 on the ex-dividend date. This adjustment did not result in additional share-based compensation expense in the period as the fair value of the outstanding RSUs immediately following the payment of the special cash dividend was equal to the fair value immediately prior to such distribution.

Similar to the proportional adjustment to the outstanding NQSOs and RSUs, as required by the 2000 Equity Incentive Plan, the maximum number of shares issuable under the 2000 Equity Incentive Plan was proportionally adjusted to reflect the special cash dividend, and, as required by the 2012 Omnibus Incentive Plan, which was approved by our stockholders in March, 2012 and which replaces the 2000 Equity Incentive Plan for any subsequently granted awards, the maximum number of shares issuable under the 2012 Omnibus Incentive Plan also was proportionally adjusted to reflect the leveraged recapitalization with a special cash dividend.

The adjustments described above are reflected in the Executive Compensation section of this proxy statement.

**CEO Compensation**

When Mr. Noglows joined our company in fiscal year 2004, the compensation committee, in consultation with outside advisors hired by the committee, used the executive compensation practices described above to determine the terms of Mr. Noglows' employment offer and initial compensation, comprised of base salary, annual cash bonus and equity-based compensation elements, which are part of Mr. Noglows' employment agreement with our company, as described in greater detail in the section entitled "Executive Compensation" below. As part of the agreement and his joining the company, Mr. Noglows also entered into a change-in-control severance protection agreement and became eligible for the reimbursement of certain relocation and other expenses, all of which are described in greater detail in the section entitled "Executive Compensation" below.

Upon completion of fiscal year 2012, the compensation committee, in consultation with the compensation committee's outside compensation consultant, used the executive compensation practices described above, including the performance goals established by the committee, to determine Mr. Noglows' compensation, composed of a cash bonus for fiscal year 2012, and a non-qualified stock option grant and a restricted stock award as part of the annual equity incentive award cycle for which all employees were eligible. In addition, in setting both the cash-based and equity-based elements of Mr. Noglows' compensation, the compensation committee made an overall assessment of Mr. Noglows' leadership in achieving the company's long-term and short-term strategic, operational and business goals. This included a significantly favorable review of his overall performance in leading the company during yet another successful fiscal year, most notably leading the planning and implementation of the

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company's new capital management initiative through the leveraged recapitalization with a special cash dividend of \$15 per share that delivered in total approximately \$347 million to the company's stockholders while also achieving a more efficient capital structure. In addition, the compensation committee noted Mr. Noglows' leadership in the company's delivering solid revenue and earnings following the record levels achieved in fiscal year 2011, and preserving and enhancing the company's strong balance sheet, operational posture, and customer relationships, while at the same time advancing the company with respect to our strategic objectives such as the growth of our polishing pads business and our business and operations in Korea. The compensation committee also considered Mr. Noglows' compensation with respect to chief executive officers among the comparison group of companies, as well as equitable and consistent treatment compared to our other executive officers. In addition to these factors, Mr. Noglows' cash bonus award for fiscal year 2012 reflected the company's successful performance against certain financial and other objectives in fiscal year 2012, as described in greater detail above, and the aspects of the overall pre-established goals for fiscal year 2012 that were not met, met or exceeded at threshold, target or stretch levels, as assessed by the compensation committee, using its discretion. Based upon all of these criteria, which included the compensation committee's assessment of the company's and Mr. Noglows' performance in various respects in fiscal year 2012 as compared with fiscal year 2011, the compensation committee awarded Mr. Noglows \$465,000 as a cash bonus for fiscal year 2012, and increased his annual base salary by 4.5% to \$606,000, effective as of January 1, 2013. Mr. Noglows' fiscal year 2012 cash bonus of \$465,000, together with his \$574,750 base salary paid during fiscal year 2012, resulted in total cash compensation of salary and cash bonus to Mr. Noglows for fiscal year 2012 of \$1,039,750; this was \$269,250 less than the \$1,309,000 in total cash compensation that Mr. Noglows received for fiscal year 2011, and reflects the solid but not as strong performance of the company against goals in fiscal year 2012 compared to fiscal year 2011. In addition, as noted above and as reported in Footnotes 1 and 2 to the 2012 Grants of Plan-Based Awards table that follows, on December 3, 2012, the compensation committee awarded Mr. Noglows equity-based compensation in the form of: (i) non-qualified stock options to purchase an aggregate of 75,000 shares of the company's common stock that vest in equal increments upon each anniversary over four years and have a term of ten years that expires December 3, 2022, at an exercise price of \$32.64, which was the closing price of our stock on the grant date; and (ii) 25,000 shares of restricted stock with a fair market value based on the closing price of our stock on NASDAQ on the award date of \$32.64 per share that lapse in equal increments upon each anniversary over four years. Aside from the number of options granted and restricted stock awarded, the terms and conditions of this option grant and restricted stock award are the same as those for grants and awards made to our other employees, including those that provide that any options that are not vested and restricted stock on which restrictions have not lapsed at the time of termination of employment are forfeited. Because these equity awards were made after the completion of fiscal year 2012, they are reported in the referenced footnote and not specifically reported in the compensation tables that follow.

As noted above, the compensation committee and the board of directors reviews on a periodic basis the hypothetical costs to the company of Mr. Noglows' change-in-control severance protection agreement, and those of the company's other executive officers and key employees who have such agreements.

**Regulatory and Other Factors**

**Internal Revenue Code Section 162(m).** As one of the factors in its review of compensation matters, the committee considers the anticipated tax treatment to our company and to our executive officers of various payments and benefits. We have designed our compensation program (including the 2012 Omnibus Incentive Plan) to grant certain awards that may be fully deductible for federal income tax purposes under Section 162(m) of the Internal Revenue Code. The deductibility of some types of compensation payments depends upon the timing of an executive's vesting or exercise of previously granted rights. Furthermore, interpretations of and changes in the tax laws and other factors beyond the compensation committee's control also affect the deductibility of compensation. For these and other reasons, the compensation committee will not necessarily limit executive compensation to that deductible under Section 162(m) of the Internal Revenue Code. The compensation committee will consider various alternatives to preserving the deductibility of compensation payments and benefits to the extent consistent with its compensation objectives.

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**Other Factors.** As described above, our compensation committee uses awards of restricted stock in addition to grants of non-qualified stock options to, among other reasons, address the financial impact of the expensing of equity-based compensation required under FASB ASC Topic 718. In addition, the company has intended for its non-qualified deferred compensation plans and other plans and agreements subject to the requirements of Internal Revenue Code Section 409A to be in compliance with such requirements.

### **COMPENSATION AND RISK**

The company's management, with a review by the audit committee and compensation committee of our board of directors and with support from the compensation committee's outside compensation consultant, has conducted an assessment of the risks associated with our compensation programs, policies and practices, and has determined that risks arising from them are not reasonably likely to have a material adverse effect on our company. In making this determination, our management considered the various elements of our compensation programs, policies and practices, such as the: mix of base salary, annual cash bonuses and equity incentive program participations at various levels and throughout our company; balance between and among short-term and long-term compensation incentives in our programs; significant use of performance measures that are financial in nature such that they are readily measurable and verifiable, are regularly reviewed, and also are consistent with those that are publicly reported; use of performance measures that directly relate to the operations of our business such that they are readily measurable and verifiable, and are regularly reviewed; use of performance measures that relate to our business overall and avoid overdependence on one aspect of our business and its operations as opposed to another; multiple and cross-functional levels of review and verification prior to award approval; our system of internal controls and internal risk review and assessment processes; and, our general employment practices, policies and procedures.

### **COMPENSATION COMMITTEE REPORT**

*The following report of the compensation committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this report by reference therein.*

The compensation committee of the board of directors has reviewed and discussed the Compensation Discussion and Analysis with our company's management, and based on the review and discussions, the compensation committee has recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and the company's annual report on Form 10-K for the fiscal year ended September 30, 2012.

Submitted by the compensation committee,

Robert J. Birgeneau

H. Laurance Fuller, Chairman

Richard S. Hill

Edward J. Mooney

Bailing Xia

**Table of Contents****EXECUTIVE COMPENSATION**

The following tables set forth certain compensation information for our Chief Executive Officer, Chief Financial Officer, and three other most highly compensated executive officers of the company (collectively the named executive officers) for the fiscal year ended September 30, 2012. Information for the fiscal years ended September 30, 2011 and September 30, 2010 is also presented for executives who were named executive officers during those years.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$)	Bonus (\$) <sup>1</sup>	Stock Awards (\$) <sup>2,3</sup>	Option Awards (\$) <sup>3</sup>	All Other Compensation (\$) <sup>4</sup>	Total Compensation (\$)
<b>William P. Noglows</b> President and Chief Executive Officer	2012	574,750	465,000	891,440	1,064,309	110,381	3,105,880
	2011	559,000	750,000	1,037,750	1,235,340	113,021	3,695,111
	2010	555,500	1,200,000	777,750	1,011,893	92,811	3,637,954
<b>William S. Johnson</b> Vice President and Chief Financial Officer	2012	351,750	184,200	365,022	420,886	37,610	1,359,468
	2011	348,000	267,000	373,623	429,898	45,174	1,463,695
	2010	345,875	456,100	308,019	384,519	58,768	1,553,281
<b>Daniel S. Wobby</b> Vice President, Global Sales	2012	318,575	122,000	314,583	333,806	46,381	1,135,345
	2011	310,550	217,000	305,661	316,247	37,991	1,187,449
	2010	296,075	301,800	205,979	254,997	23,776	1,082,627
<b>Adam F. Weisman</b> Vice President, Business Operations	2012	331,075	150,000	279,588	333,806	36,831	1,131,300
	2011	326,200	250,000	265,664	316,247	49,091	1,207,202
	2010	324,200	388,600	227,103	295,473	27,647	1,263,023
<b>H. Carol Bernstein</b> Vice President, Secretary and General Counsel	2012	318,625	141,300	247,172	295,104	42,956	1,045,157
	2011	314,500	236,000	238,683	284,128	45,158	1,118,469
	2010	312,575	301,200	195,993	254,997	56,094	1,120,859

<sup>1</sup> Certain amounts in the Bonus column were used to purchase deposit shares of restricted stock under our Executive Officer Deposit Share Program after the end of the 2010 fiscal year on December 13, 2010, after the end of the 2011 fiscal year on December 15, 2011, and after the end of the 2012 fiscal year on December 14, 2012. See footnote 2 below for more details.

<sup>2</sup> Certain amounts in the Stock Awards column correspond to matching grants of award shares of restricted stock made pursuant to our Executive Officer Deposit Share Program, which is described in more detail below. Under this program, our executive officers are entitled to voluntarily use all or a portion of their after-tax bonus compensation to purchase at fair market value shares of restricted stock awarded under the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan. These shares are retained on deposit with us until the third anniversary of the date of deposit (deposit shares), and our company matches the deposit with a restricted stock grant equal to 50% of the shares deposited by the participant (award shares). If the participant is employed by our company on the third anniversary of the deposit date and the deposit shares have remained on deposit with us through such date, the restrictions on the award shares will lapse. This column does not include deposit shares as these amounts were purchased by the participant after-tax from amounts that were already disclosed in the Bonus column. This column does include award share grants made pursuant to this program. On December 13, 2010, Mr. Johnson and Mr. Wobby participated in the Executive Officer Deposit Share Program receiving 300 and 961 respective award shares on deposit under the program with a fair market value based on the closing price of our stock on the award date of \$41.62 per share. The restrictions on these award shares will lapse on December 13, 2013 if the executive is employed by us at that time and the corresponding deposit shares have remained on deposit with us through such date. Mr. Johnson and Mr. Wobby purchased 600 and 1,922 respective deposit shares related to these award shares.



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after-tax from amounts that are disclosed in the Bonus column above. On December 15, 2011, Mr. Johnson and Mr. Wobby participated in the Executive Officer Deposit Share Program receiving 270 and 756 respective award shares on deposit under the program with a fair market value based on the closing price of our stock on the award date of \$46.29 per share. The restrictions on these award shares will lapse on December 15, 2014 if the executive is employed by us at that time and the corresponding deposit shares have remained on deposit with us through such date. Mr. Johnson and Mr. Wobby purchased 540 and 1,512 respective deposit shares related to these award shares after-tax from amounts that are disclosed in the Bonus column above.

These amounts do not include award share grants made pursuant to our Executive Officer Deposit Share Program to certain of our named executive officers after the end of fiscal year 2012. On December 14, 2012, Mr. Johnson, Mr. Wobby and Ms. Bernstein participated in the Executive Officer Deposit Share Program receiving 366, 733 and 293 respective award shares on deposit under the program with a fair market value based on the closing price of our stock on the award date of \$34.06 per share. The restrictions on these award shares will lapse on December 14, 2015 if the executive is employed by us at that time and the corresponding deposit shares have remained on deposit with us through such date. Mr. Johnson, Mr. Wobby and Ms. Bernstein purchased 733, 1,467 and 587 respective deposit shares related to these award shares after-tax from amounts that are disclosed in the Bonus column above.

<sup>3</sup> The amounts in the column headed Stock Awards represent the aggregate grant date fair value of grants in fiscal years 2012, 2011 and 2010 computed in accordance with ASC 718. For restricted stock awards, the fair value is equal to the underlying value of the stock and is calculated using the closing price of our common stock on the grant date. The actual value realized by a named executive officer related to stock awards will depend on the market value of our common stock on the date the stock is sold.

The amounts in the column headed Option Awards represent the aggregate grant date fair value of grants in fiscal years 2012, 2011, and 2010 computed in accordance with ASC 718 (see Note 11 of Notes to Consolidated Financial Statements included in Item 8 of Part II of our Annual Report on Form 10-K for fiscal year 2012 for a description of the assumptions used in that computation). The actual value realized by a named executive officer related to option awards will depend on the difference between the market value of our common stock on the date the option is exercised and the exercise price of the option.

During fiscal years 2012, 2011 and 2010, no awards to any of our named executive officers were modified or cancelled (forfeited). As described in Effects of the Leveraged Recapitalization with a Special Cash Dividend Completed March 2, 2012, any awards of non-qualified stock options and restricted stock units outstanding on the dividend payment date of March 1, 2012, were proportionally adjusted as required by the 2000 Equity Incentive Plan.

<sup>4</sup> The information in the column headed All Other Compensation predominantly reflects amounts that by nature generally recur each year, such as benefit costs we contribute on behalf of our named executive officers in the same manner in which we contribute such costs for all of our employees. For example, the information in the column includes contributions (both matching and safe-harbor) made by us to our tax-qualified savings plan (the 401(k) Plan) and accruals under our non-qualified supplemental savings plan (the Supplemental Plan) according to the standard terms of each of these plans as applied to all of our employees, including our named executive officers and other executive officers. Given the relative recovery from the severe economic downturn that we began to see in the second half of fiscal year 2009, and in the interests of assisting our employees in saving for retirement, the board of directors amended the 401(k) Plan effective January 1, 2010 to reinstate an employer contribution on the employee's behalf of 4% of each employee's eligible compensation (up to the I.R.S. eligible compensation limit), regardless of whether the employee makes a contribution to the plan (safe-harbor contribution), and a matching contribution on the employee's behalf of 100% of the first 4%, and 50% of the next 2%, that the employee contributes to the 401(k) Plan (matching contribution). With respect to the Supplemental Plan, which applies to all employees, including our named executive officers and other executive officers, at such time as they reach the I.R.S. eligible compensation limit, while employees are presently not able to make contributions to the Supplemental Plan, we continue to make the safe-harbor contribution of the equivalent of 4% of each employee's eligible compensation (over the I.R.S. eligible compensation limit) to the Supplemental Plan on



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the employee's behalf. For fiscal year 2012, contributions as such to the 401(k) Plan and the Supplemental Plan on behalf of the named executive officers were made in the following amounts:

Name	401(k) Plan	Supplemental Plan
Mr. Noglows	\$ 22,500	\$ 42,990
Mr. Johnson	\$ 22,500	\$ 14,750
Mr. Wobby	\$ 22,835	\$ 11,452
Mr. Weisman	\$ 22,494	\$ 13,248
Ms. Bernstein	\$ 22,056	\$ 12,540

Similarly, the amounts in the column headed "All Other Compensation" include amounts we provided on behalf of each of our named executive officers for basic life insurance and accidental death and dismemberment insurance coverage in fiscal year 2012, which was provided on the same basis to all of our employees. There is no cash surrender value associated with this insurance coverage. The value paid for this coverage in fiscal year 2012 attributable to each named executive officer is: \$360.

In addition, the figures in the column headed "All Other Compensation" reflect (i) airline club membership fees, for fiscal year 2012 in the amount of \$846, of which \$296 is tax reimbursement, for Mr. Noglows, \$640, of which \$265 is tax reimbursement, for Mr. Wobby, and \$729, of which \$229 is tax reimbursement, for Mr. Weisman; (ii) business club membership fees for fiscal year 2012 in the amount of \$10,292, of which \$3,792 is tax reimbursement, for Mr. Noglows; (iii) the payment of financial planning fees of \$16,935, of which \$5,690 is tax reimbursement, for Mr. Noglows in fiscal year 2012, as per the terms of his employment agreement; (iv) spousal travel fees, of \$16,458, of which \$6,822 is tax reimbursement, for Mr. Noglows, and \$10,000, of which \$4,145 is tax reimbursement, for Mr. Wobby; (v) tax return preparation fees for his previous foreign assignment in our company in the amount of \$1,094, of which \$344 is tax reimbursement, for Mr. Wobby; and, (vi) a transportation allowance for fiscal year 2012 in the amount of \$8,000 for Ms. Bernstein.

In accordance with Item 402(c)(2)(ix) of Regulation S-K and the adopting release thereto (Release 33-8732A), the dividends received on shares of unvested restricted stock by virtue of the dividend rights contained in the restricted stock award agreements and as part of our leveraged recapitalization with a special cash dividend completed on March 2, 2012 (as more fully described under "Effects of the Leveraged Recapitalization with a Special Cash Dividend Completed March 2, 2012") are not reflected in this column. As required by relevant tax law, dividends received on shares of unvested restricted stock are treated as ordinary income for income tax purposes and for employees, including our named executive officers, are subject to withholding like other ordinary income. Pursuant to the special cash dividend, dividends received on shares of unvested restricted stock attributable to each named executive officer were: Mr. Noglows, \$900,000; Mr. Johnson, \$354,240; Mr. Wobby, \$288,135; Mr. Weisman, \$266,625; Ms. Bernstein, \$230,445.

**Employment Agreements**

On November 2, 2003, we entered into an employment agreement with Mr. Noglows to become our Chairman, President and Chief Executive Officer. Pursuant to this employment agreement, among other terms, we agreed to pay Mr. Noglows an annual base salary of \$450,000 and a cash bonus for fiscal year 2004 that would not be less than \$160,000, following the end of fiscal year 2004. Mr. Noglows' agreement provides that following the close of each fiscal year, beginning with the end of fiscal year 2004, the compensation committee of the board of directors will meet to consider an increase in Mr. Noglows' annual base salary in accordance with its normal practices, and the compensation committee has done so, as described in more detail in the compensation discussion and analysis section above. For 2010, the compensation committee set his salary at \$559,000; for 2011, the compensation committee retained his salary at \$559,000 with no increase; for 2012, the compensation committee set his salary at \$580,000; and for 2013, the compensation committee set his salary at \$606,000. The employment agreement also provided the grant of an option to purchase 250,00 shares of our common stock with an exercise price of \$55.37, which, as a result of the leveraged recapitalization with a special cash dividend in March 2012, was proportionally adjusted according to the formula described in "Effects of the

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Leveraged Recapitalization with a Special Cash Dividend to 362,670 shares of our common stock with an exercise price of \$38.17. The original grant provided for vesting in four equal annual installments on each subsequent anniversary of November 3, 2003, Mr. Noglows' first date of employment, and an expiration of November 3, 2013. We also agreed to provide Mr. Noglows with certain relocation and other reimbursements and to allow Mr. Noglows to utilize first-class air travel while he is employed by us.

**Standard Employee Benefits**

We have adopted various employee benefit plans and arrangements for the purpose of providing employee benefits to our employees, including our named executive officers and our other executive officers. In general, the same terms apply to all of our employees, including our named executive officers and our other executive officers. These plans and arrangements include the Employee Stock Purchase Plan, the 401(k) Plan, and Supplemental Plan.

**2012 GRANTS OF PLAN-BASED AWARDS**

The following table shows all awards granted to the named executive officers during the fiscal year ended September 30, 2012 pursuant to the 2000 Equity Incentive Plan. Option Award amounts and exercise prices shown below are as of the grant date of December 1, 2011, and thus do not reflect the impact of our leveraged recapitalization with a special cash dividend completed on March 2, 2012. The mandatory proportional adjustment of such Option Award amounts and exercise prices to reflect the leveraged recapitalization with a special cash dividend are shown in footnote 3 below. The grant date values for these awards remain unchanged as a result of such mandatory proportional adjustments.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>1</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>2,3</sup>	Exercise or Base Price of Option Awards (\$/Sh) <sup>3</sup>	Grant Date Fair Value of Stock and Option Awards (\$) <sup>4</sup>
William P. Noglows	12/1/11	22,000			891,440
	12/1/11		66,000	40.52	1,064,309
William S. Johnson	12/1/11	8,700			352,524
	12/1/11		26,100	40.52	420,886
Daniel S. Wobby	12/15/11	270			12,498
	12/1/11	6,900			279,588
Adam F. Weisman	12/1/11		20,700	40.52	333,806
	12/15/11	756			34,995
H. Carol Bernstein	12/1/11	6,900			279,588
	12/1/11		20,700	40.52	333,806
H. Carol Bernstein	12/1/11	6,100			247,172
	12/1/11		18,300	40.52	295,104

<sup>1</sup> The awards in this column that correspond to a Grant Date of December 15, 2011 reflect the matching grants of award shares of restricted stock made under our 2000 Equity Incentive Plan pursuant to our Executive Officer Deposit Share Program, which is described in more detail below. This column does not include deposit shares as these amounts were purchased by the participant from after-tax bonus compensation already disclosed in the Bonus column of our Summary Compensation Table of our 2012 Proxy Statement. As shown, on December 15, 2011, Mr. Johnson and Mr. Wobby participated in the Executive Officer Deposit Share Program receiving 270 and 756 respective award shares on deposit under the program with a fair

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market value based on the closing price of our stock on the award date of \$46.29 per share. The restrictions on these award shares will lapse on December 15, 2014 if the participant is employed by us at that time and the corresponding deposit shares have remained on deposit with us through such date.

The amounts in this column do not include award share grants made pursuant to our Executive Officer Deposit Share Program to certain of our named executive officers after the end of fiscal year 2012. On December 14, 2012, Mr. Johnson, Mr. Wobby and Ms. Bernstein participated in the Executive Officer Deposit Share Program receiving 366, 733 and 293 respective award shares on deposit under the program with a fair market value based on the closing price of our stock on the award date of \$34.06 per share. The restriction on these award shares will lapse on December 14, 2015 if the participant is employed by us at that time and the corresponding deposit shares have remained on deposit with us through such date.

These amounts in this column do not include restricted shares awarded to our named executive officers after the end of fiscal year 2012. On December 3, 2012, as part of our annual equity incentive award program, we awarded restricted shares to our named executive officers with a fair market value based on the closing price of our stock on the award date of \$32.64 per share that lapse in equal increments upon each anniversary over four years, in the amounts set forth in the table below:

<b>Name</b>	<b>Restricted Stock Award</b>
Mr. Noglows	25,000
Mr. Johnson	9,800
Mr. Wobby	6,900
Mr. Weisman	7,900
Ms. Bernstein	6,900

<sup>2</sup> As with all other grants of stock options and stock awards to our named executive officers and other executive officers, other than the number of options or restricted stock awarded, the terms and conditions of the stock option grants in this column are the same as those made to all other employees. This includes a provision that if a participant retires (defined as the voluntary termination of employment, where no circumstances for termination for cause exist, upon the participant's achievement of at least 55 years of age and five years of service), then the participant may retain any option previously vested throughout the term of such option; as with our other option grants, any options that have not yet vested as of termination are forfeited.

These amounts do not include options granted to our named executive officers after the end of fiscal year 2012. On December 3, 2012, as part of our annual equity incentive award program, we granted options to our named executive officers that have an exercise price of \$32.64, which as with all of our grants and awards to date was the fair market value based on the closing price of our common stock on the date of grant, vest in equal increments upon each anniversary over four years and expire December 3, 2022, in the amounts set forth in the table below:

<b>Name</b>	<b>Securities Underlying Options</b>
Mr. Noglows	75,000
Mr. Johnson	29,400
Mr. Wobby	20,700
Mr. Weisman	23,700
Ms. Bernstein	20,700

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<sup>3</sup> Amounts shown in the table for Option Awards reflect the Option Awards as originally made on the grant date of December 1, 2011, and do not reflect the mandatory proportional adjustment made pursuant to our leveraged recapitalization with a special cash dividend completed March 2, 2012. The proportionally adjusted amounts are:

Name	Option Award Grant Date	Original Number of Securities Underlying Options (#)	Adjusted Number of Securities Underlying Options (#)	Original Exercise Price of Option Awards (\$/Sh)	Adjusted Exercise Price of Option Awards (\$/Sh)
Mr. Noglows	12/1/11	66,000	95,744	40.52	27.94
Mr. Johnson	12/1/11	26,100	37,862	40.52	27.94
Mr. Wobby	12/1/11	20,700	30,029	40.52	27.94
Mr. Weisman	12/1/11	20,700	30,029	40.52	27.94
Ms. Bernstein	12/1/11	18,300	26,547	40.52	27.94

The grant date values for these awards remain unchanged following such adjustments, as the mandatory proportional adjustment preserved the value of the award and the fair value of the outstanding award immediately following the payment of the special cash dividend was equal to the fair value immediately prior to such distribution.

<sup>4</sup> As with all of our grants and stock awards to date, the exercise price was the fair market value based on the closing price of our stock on the date of grant.

The grant date fair value was estimated using the Black-Scholes option pricing formula on the basis of the following assumptions: expected volatility: 38%; risk free rate of return: 1.4%; annualized dividend yield: 0.0%; and expected time until exercise: 6.41 years.

During fiscal year 2012, no awards to our named executive officers, or other executive officers, were modified or cancelled (forfeited), and no awards to any of our employees were modified. As described in Effects of the Leveraged Recapitalization with a Special Cash Dividend Completed March 2, 2012, any awards of non-qualified stock options and restricted stock units outstanding on the dividend payment date of March 1, 2012, were proportionally adjusted as required by the 2000 Equity Incentive Plan.

**2000 Equity Incentive Plan**

The options granted on December 1, 2011 vest in equal increments upon each anniversary over four years, and have a term of ten years, expiring December 1, 2021. As with all other grants of stock options and awards of restricted stock to our named executive officers and other executive officers, other than the number of options or restricted stock awarded, the terms and conditions of these stock option grants are the same as those made to all other employees. This includes a provision that if a participant retires (defined as the voluntary termination of employment, where no circumstances for termination for cause exist, upon the participant's achievement of at least 55 years of age and five years of service), then the participant may retain any option previously vested throughout the term of such option; as with our other option grants, any options that have not yet vested as of termination are forfeited.

Following our stockholders' approval of the 2012 Omnibus Incentive Plan at our 2012 Annual Meeting of Stockholders in March 2012, no new awards have been made under the 2000 Equity Incentive Plan, and since that time all awards have been and are to be made pursuant to the 2012 Omnibus Incentive Plan.

**Executive Officer Deposit Share Program**

Our executive officers are eligible to participate in the Executive Officer Deposit Share Program that our board of directors adopted in March 2000. Under this program, our executive officers are entitled to use all or a portion of their after-tax annual cash bonus compensation to purchase at fair market value shares of restricted stock awarded under the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan. These shares are



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retained on deposit with us until the third anniversary of the date of deposit ( deposit shares ), and our company matches the deposit with a restricted stock grant equal to 50% of the shares deposited by the participant ( award shares ). If the participant is employed by us on the third anniversary of the deposit date and the deposit shares have remained on deposit with us through such date, the restrictions on the award shares will lapse. Six individuals currently participate in the Executive Officer Deposit Share Program, and 17,018 shares (including award shares) are currently on deposit under that program for all executive officers. Of the named executive officers currently participating in the Executive Officer Deposit Share Program, Mr. Johnson, Mr. Wobby and Ms. Bernstein participate with (i) 1,873, (ii) 4,901, and (iii) 587 respective deposit shares and (i) 936, (ii) 2,450, and (iii) 293 respective award shares on deposit under the program. These amounts do not include the 34,362 shares (including award shares) no longer under deposit or subject to restrictions as of January 11, 2013, of which Mr. Noglows, Mr. Johnson, Mr. Wobby, Mr. Weisman, and Ms. Bernstein respectively had (i) 7,684, (ii) 4,808, (iii) 4,824, (iv) 457, and (v) 1,639 respective deposit shares and (i) 3,840, (ii) 2,403, (iii) 2,411, (iv) 228, and (v) 818 respective award shares. On December 13, 2010, Mr. Johnson and Mr. Wobby participated in the Executive Officer Deposit Share Program as follows: Mr. Johnson purchased 600 deposit shares and received 300 award shares; and Mr. Wobby purchased 1,922 deposit shares and received 961 award shares. The restrictions on the award shares will lapse on December 13, 2013 if the participant is employed by us at that time and the corresponding deposit shares have remained on deposit with us through such date. On December 15, 2011, Mr. Johnson and Mr. Wobby participated in the Executive Officer Deposit Share Program as follows: Mr. Johnson purchased 540 deposit shares and received 270 award shares; and Mr. Wobby purchased 1,512 deposit shares and received 756 award shares. The restrictions on the award shares will lapse on December 15, 2014 if the participant is employed by us at that time and the corresponding deposit shares have remained on deposit with us through such date. On December 14, 2012, Mr. Johnson, Mr. Wobby and Ms. Bernstein participated in the Executive Officer Deposit Share Program as follows: Mr. Johnson purchased 733 deposit shares and received 366 award shares; Mr. Wobby purchased 1,467 deposit shares and received 733 award shares; and Ms. Bernstein purchased 587 deposit shares and received 293 award shares. The restrictions on the award shares will lapse on December 14, 2015 if the participant is employed by us at that time and the corresponding deposit shares have remained on deposit with us through such date.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT 2012 FISCAL YEAR-END**

The following table shows outstanding stock option awards classified as exercisable and unexercisable as of September 30, 2012 for each named executive officer. Outstanding Option Award amounts and exercise prices shown below are as of September 30, 2012 and thus reflect the mandatory proportional adjustment of such Option Award amounts and exercise prices to reflect the leveraged recapitalization with a special cash dividend, which was completed on March 2, 2012. The original Option Award amounts and exercise prices as of their grant date and prior to the mandatory proportional adjustment to reflect the leveraged recapitalization with a special cash dividend are shown in footnote 2 below.

The table also shows unvested and unearned stock awards assuming a market value of \$35.14 a share (the closing market price of the company's stock on September 28, 2012, which was the last trading day of the 2012 fiscal year).

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date <sup>2</sup>	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
	(#)	(#)	(\$) <sup>2</sup>		(#) <sup>3</sup>	(\$)
William P. Noglows	Exercisable <sup>1</sup> , <sup>2</sup>	Unexercisable <sup>1</sup> , <sup>2</sup>				
	362,670		38.17	11/3/2013		
	362,670		26.05	12/10/2014		
	83,414		21.77	12/1/2016		
	78,336		25.79	11/30/2017		
	88,128	29,377	16.00	12/1/2018		
	54,400	54,401	21.45	12/1/2019		
William S. Johnson	27,200	81,601	28.62	12/1/2020		
		95,744	27.94	12/1/2021	60,000	2,108,400
	72,534		33.72	12/11/2013		
	98,646		26.05	12/10/2014		
	43,520		21.04	12/9/2015		
	37,717		21.77	12/1/2016		
	40,038		25.79	11/30/2017		
23,427	11,679	16.00	12/1/2018			
20,672	20,672	21.45	12/1/2019			
9,465	28,397	28.62	12/1/2020			

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		37,862	27.94	12/1/2021		
Daniel S. Wobby	42,978		26.05	12/10/2014	23,616	829,866
	41,344		21.77	12/1/2016		
	24,806		25.79	11/30/2017		
	30,464	10,155	16.00	12/1/2018		
	13,708	13,709	21.45	12/1/2019		
	6,963	20,890	28.62	12/1/2020		
		30,029	27.94	12/1/2021		
Adam F. Weisman	43,520		21.04	12/9/2015	19,209	675,004
	41,344		21.77	12/1/2016		
	32,640		25.79	11/30/2017		
	31,551	10,518	16.00	12/1/2018		
	15,884	15,885	21.45	12/1/2019		
	6,963	20,890	28.62	12/1/2020		
		30,029	27.94	12/1/2021		
H. Carol Bernstein	68,907		35.42	12/11/2012	17,775	624,614
	87,040		33.72	12/11/2013		
	62,379		26.05	12/10/2014		
	37,717		21.77	12/1/2016		
	23,936		25.79	11/30/2017		
	15,594	7,798	16.00	12/1/2018		
	13,708	13,709	21.45	12/1/2019		
	6,256	18,768	28.62	12/1/2020		
		26,547	27.94	12/1/2021		
					15,363	539,856



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<sup>1</sup> These option awards vest or vested over four years in equal increments upon each anniversary of the grant date, with a term expiring on the tenth anniversary of the grant date.

<sup>2</sup> Amounts shown reflect the respective mandatory proportional adjustments to option awards pursuant to our leveraged recapitalization with a special cash dividend completed March 2, 2012. The option expiration date of the respective option awards remain unchanged as a result of the leveraged recapitalization with a special cash dividend. The option awards as originally made were:

Name	Original Number of Securities Underlying Unexercised Options	Adjusted Number of Securities Underlying Unexercised Options	Original Number of Securities Underlying Unexercised Options	Adjusted Number of Securities Underlying Unexercised Options	Original Option Exercise Price	Adjusted Option Exercise Price	Option Expiration Date
	(#)	(#)	(#)	(#)	(\$)	(\$)	
Mr. Noglows	Exercisable	Exercisable	Unexercisable	Unexercisable			
	250,000	362,670			55.37	38.17	11/3/2013
	250,000	362,670			37.78	26.05	12/10/2014
	57,500	83,414			31.57	21.77	12/1/2016
	54,000	78,336			37.40	25.79	11/30/2017
	60,750	88,128	20,250	29,377	23.21	16.00	12/1/2018
	37,500	54,400	37,500	54,401	31.11	21.45	12/1/2019
Mr. Johnson	18,750	27,200	56,250	81,601	41.51	28.62	12/1/2020
			66,000	95,744	40.52	27.94	12/1/2021
	50,000	72,534			48.91	33.72	12/11/2013
	68,000	98,646			37.78	26.05	12/10/2014
	30,000	43,520			30.51	21.04	12/9/2015
	26,000	37,717			31.57	21.77	12/1/2016
	27,600	40,038			37.40	25.79	11/30/2017
	16,150	23,427	8,050	11,679	23.21	16.00	12/1/2018
	14,250	20,672	14,250	20,672	31.11	21.45	12/1/2019
	6,525	9,465	19,575	28,397	41.51	28.62	12/1/2020

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Mr. Wobby			26,100	37,862	40.52	27.94	12/1/2021
	29,626	42,978			37.78	26.05	12/10/2014
	28,500	41,344			31.57	21.77	12/1/2016
	17,100	24,806			37.40	25.79	11/30/2017
	21,000	30,464	7,000	10,155	23.21	16.00	12/1/2018
	9,450	13,708	9,450	13,709	31.11	21.45	12/1/2019
Mr. Weisman	4,800	6,963	14,400	20,890	41.51	28.62	12/1/2020
			20,700	30,029	40.52	27.94	12/1/2021
	30,000	43,520			30.51	21.04	12/9/2015
	28,500	41,344			31.57	21.77	12/1/2016
	22,500	32,640			37.40	25.79	11/30/2017
	21,750	31,551	7,250	10,518	23.21	16.00	12/1/2018
Ms. Bernstein	10,950	15,884	10,950	15,885	31.11	21.45	12/1/2019
	4,800	6,963	14,400	20,890	41.51	28.62	12/1/2020
			20,700	30,029	40.52	27.94	12/1/2021
	47,500	68,907			51.37	35.42	12/11/2012
	60,000	87,040			48.91	33.72	12/11/2013
	43,000	62,379			37.78	26.05	12/10/2014
	26,000	37,717			31.57	21.77	12/1/2016
	16,500	23,936			37.40	25.79	11/30/2017
	10,750	15,594	5,375	7,798	23.21	16.00	12/1/2018
	9,450	13,708	9,450	13,709	31.11	21.45	12/1/2019
	4,313	6,256	12,937	18,768	41.51	28.62	12/1/2020
			18,300	26,547	40.52	27.94	12/1/2021

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<sup>3</sup> The restricted stock awards granted to Mr. Noglows vest as follows: 22,000 shares vest over four years in equal increments upon each anniversary of the December 1, 2011 grant date, 18,750 shares vest over three years in equal increments upon each anniversary of the December 1, 2010 grant date, 12,500 shares vest over two years in equal increments upon each anniversary of the December 1, 2009 grant date, and 6,750 shares granted on December 1, 2008 that vest on December 1, 2012. The restricted stock awards granted to Mr. Johnson vest as follows: 8,700 shares vest over four years in equal increments upon each anniversary of the December 1, 2011 grant date, 6,525 shares vest over three years in equal increments upon each anniversary of the December 1, 2010 grant date, 4,750 shares vest over two years in equal increments upon each anniversary of the December 1, 2009 grant date, 2,675 shares granted on December 1, 2008 that vest on December 1, 2012, 396 award shares vest on December 9, 2012, 300 award shares vest on December 13, 2013 and 270 award shares vest on December 15, 2014. The restricted stock awards granted to Mr. Wobby vest as follows: 6,900 shares vest over four years in equal increments upon each anniversary of the December 1, 2011 grant date, 4,800 shares vest over three years in equal increments upon each anniversary of the December 1, 2010 grant date, 3,150 shares vest over two years in equal increments upon each anniversary of the December 1, 2009 grant date, 2,325 shares granted on December 1, 2008 that vest on December 1, 2012, 317 award shares vest on December 9, 2012, 961 award shares vest on December 13, 2013 and 756 award shares vest on December 15, 2014. The restricted stock awards granted to Mr. Weisman vest as follows: 6,900 shares vest over four years in equal increments upon each anniversary of the December 1, 2011 grant date, 4,800 shares vest over three years in equal increments upon each anniversary of the December 1, 2010 grant date, 3,650 shares vest over two years in equal increments upon each anniversary of the December 1, 2009 grant date, and 2,425 shares granted on December 1, 2008 that vest on December 1, 2012. The restricted stock awards granted to Ms. Bernstein vest as follows: 6,100 shares vest over four years in equal increments upon each anniversary of the December 1, 2011 grant date, 4,313 shares vest over three years in equal increments upon each anniversary of the December 1, 2010 grant date, 3,150 shares vest over two years in equal increments upon each anniversary of the December 1, 2009 grant date, and 1,800 shares granted on December 1, 2008 that vest on December 1, 2012.

**2012 OPTION EXERCISES AND STOCK VESTED**

The following table sets forth certain information regarding stock options exercised during fiscal year 2012 and stock awards vested during fiscal year 2012 for the named executive officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#) <sup>1</sup>	(\$) <sup>2</sup>	(#)	(\$) <sup>2</sup>
William P. Noglows			24,564	999,806
William S. Johnson	58,027	231,695	10,237	416,998
Daniel S. Wobby	123,848	1,222,612	7,739	314,828
Adam F. Weisman			7,725	314,986
H. Carol Bernstein	58,980	99,921	6,390	260,304

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<sup>1</sup> With the exception of an exercise by Ms. Bernstein of 4,322 for a value realized upon exercise of \$9,352, all exercises noted occurred after March 2, 2012, and so all other amounts shown reflect the respective exercised options as proportionally adjusted pursuant to our leveraged recapitalization with a special cash dividend completed March 2, 2012. The option awards as originally made were:

<b>Name</b>	<b>Option Awards</b>	
	<b>Original Number of Shares Acquired on Exercise</b>	<b>Adjusted Number of Shares Acquired on Exercise</b>
	<b>(#)</b>	<b>(#)</b>
Mr. Noglows		
Mr. Johnson	40,000	58,027
Mr. Wobby	85,372	123,848
Mr. Weisman		
Ms. Bernstein	37,678	54,658

These amounts do not include options exercised by our named executive officers after the end of fiscal year 2012. The following table sets forth certain information regarding stock options exercised between October 1, 2012 and January 11, 2012 by our named executive officers:

<b>Name</b>	<b>Option Awards</b>	
	<b>Number of Shares Acquired on Exercise</b>	<b>Value Realized on Exercise</b>
	<b>(#)</b>	<b>(\$)</b>
Mr. Noglows	117,505	1,944,822
Mr. Johnson		
Mr. Wobby		
Mr. Weisman		
Ms. Bernstein		

<sup>2</sup> For option awards, the value realized on exercise is equal to the aggregate difference between the exercise price of the options and the fair market value of the shares on the date of exercise. For stock awards, the value realized is the number of shares vested multiplied by the fair market value of the shares at the time of vesting.

**Table of Contents****PENSION BENEFITS**

The company does not maintain a defined benefit pension program.

**2012 NONQUALIFIED DEFERRED COMPENSATION**

The company maintains the Cabot Microelectronics Corporation Supplemental Employee Retirement Plan, which is a nonqualified supplemental savings plan (the Supplemental Plan). The following table discloses the earnings and balances of our named executive officers under the company's Supplemental Plan that provides for compensation deferral on a non-tax-qualified basis.

<b>Name</b>	<b>Registrant contributions in last FY (\$)¹</b>	<b>Aggregate earnings in last FY (\$)</b>	<b>Aggregate balance at last FYE (\$)</b>
William P. Noglows	42,990	45,466	292,709
William S. Johnson	14,750	21,776	127,731
Daniel S. Wobby	11,452	11,225	70,144
Adam F. Weisman	13,248	18,023	90,046
H. Carol Bernstein	12,540	22,736	122,156

<sup>1</sup> These amounts are included in the All Other Compensation column of the Summary Compensation Table.

Effective May 1, 2000, the company adopted the Supplemental Plan covering all eligible employees as defined by the Supplemental Plan. Participants in the Supplemental Plan, including our named executive officers, do not make any contributions to the Supplemental Plan. The purpose of the Supplemental Plan is to provide for the deferral of the company contributions to certain highly compensated employees as defined under the provision of the Employee Retirement Income Security Act of 1974, as amended. Under the Supplemental Plan, the company contributes up to 4% of the named executive officers' eligible compensation in excess of the I.R.S. eligible compensation limit. All amounts contributed by the company and earnings on these contributions are fully vested at all times. The same menu of investment funds under the 401(k) Plan is available under the Supplemental Plan. Like the 401(k) Plan, all investment decisions are made by the participants. Participants in the Supplemental Plan are not permitted to make hardship withdrawals prior to termination and distributions under the Supplemental Plan are paid in a lump sum.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The following tables and the accompanying narrative show potential benefits payable to our named executive officers upon the occurrence of the events specified herein, assuming such events occurred on September 30, 2012 and excluding certain benefits generally available to all salaried employees. Except as noted, the amounts disclosed below reflect the aggregate potential payments under each scenario and category. These tables do not include amounts to the extent that the form and amount of any payment or benefit are fully disclosed in an earlier table.

**Table of Contents***William P. Noglows*

The following table shows the potential payments upon termination with or without a change in control for named executive officer William P. Noglows, assuming such events occurred on September 30, 2012. Footnotes describing the assumptions in calculations are included following the last table in this section, as is a description of the employment terms and plans providing benefits specified in the table below.

Executive Benefits and Payments Upon Termination	Involuntary Not for Cause or Good Reason Termination		Death	Disability
	No Change in Control	In Connection with a Change in Control		
Salary Continuation	\$ 580,000 <sup>1</sup>	\$ 1,740,000		
Bonus Through Termination Date <sup>2</sup>		\$ 1,200,000		
Bonus Continuation <sup>2</sup>		\$ 3,600,000		
Contributions under Retirement Plans		\$ 196,470		
Accelerated Vesting of Stock Options <sup>3</sup>	\$ 1,284,327	\$ 2,528,421	\$ 2,528,421	\$ 2,528,421
Accelerated Vesting of Restricted Stock <sup>4</sup>		\$ 2,108,400	\$ 2,108,400	\$ 2,108,400
Post-termination Health Care <sup>5</sup>		\$ 30,000		
Outplacement Services		\$ 87,000		
280G Tax Gross Up		\$ 2,667,706		
<b>Total:</b>	\$ 1,864,327	\$ 14,157,997	\$ 4,636,821	\$ 4,636,821

*William S. Johnson*

The following table shows the potential payments upon termination with or without a change in control for named executive officer William S. Johnson, assuming such events occurred on September 30, 2012. Footnotes describing the assumptions in calculations are included following the last table in this section, as is a description of the employment terms and plans providing benefits specified in the table below.

Executive Benefits and Payments Upon Termination	Involuntary Not for Cause or Good Reason Termination		Death	Disability
	No Change in Control	In Connection with a Change in Control		
Salary Continuation		\$ 706,000		
Bonus Through Termination Date <sup>2</sup>		\$ 456,100		
Bonus Continuation <sup>2</sup>		\$ 912,200		
Contributions under Retirement Plans		\$ 74,500		
Accelerated Vesting of Stock Options <sup>3</sup>		\$ 964,291	\$ 964,291	\$ 964,291
Accelerated Vesting of Restricted Stock <sup>4</sup>		\$ 829,866	\$ 829,866	\$ 829,866
Post-termination Health Care <sup>5</sup>		\$ 20,000		
Outplacement Services		\$ 52,950		
280G Tax Gross Up		\$ 0		
<b>Total:</b>		\$ 4,015,907	\$ 1,794,157	\$ 1,794,157

**Table of Contents***Daniel S. Wobby*

The following table shows the potential payments upon termination with or without a change in control for named executive officer Daniel S. Wobby, assuming such events occurred on September 30, 2012. Footnotes describing the assumptions in calculations are included following the last table in this section, as is a description of the employment terms and plans providing benefits specified in the table below.

Executive Benefits and Payments Upon Termination	Involuntary Not for Cause or Good Reason Termination In Connection with			
	No Change in Control	a Change in Control	Death	Disability
Salary Continuation		\$ 640,000		
Bonus Through Termination Date <sup>2</sup>		\$ 301,800		
Bonus Continuation <sup>2</sup>		\$ 603,600		
Contributions under Retirement Plans		\$ 68,574		
Accelerated Vesting of Stock Options <sup>3</sup>		\$ 734,455	\$ 734,455	\$ 734,455
Accelerated Vesting of Restricted Stock <sup>4</sup>		\$ 675,004	\$ 675,004	\$ 675,004
Post-termination Health Care <sup>5</sup>		\$ 20,000		
Outplacement Services		\$ 48,000		
280G Tax Gross Up		\$ 0		
<b>Total:</b>		\$ 3,091,433	\$ 1,409,459	\$ 1,409,459

*Adam F. Weisman*

The following table shows the potential payments upon termination with or without a change in control for named executive officer Adam F. Weisman, assuming such events occurred on September 30, 2012. Footnotes describing the assumptions in calculations are included following the last table in this section, as is a description of the employment terms and plans providing benefits specified in the table below.

Executive Benefits and Payments Upon Termination	Involuntary Not for Cause or Good Reason Termination In Connection with			
	No Change in Control	a Change in Control	Death	Disability
Salary Continuation		\$ 665,400		
Bonus Through Termination Date <sup>2</sup>		\$ 388,600		
Bonus Continuation <sup>2</sup>		\$ 777,200		
Contributions under Retirement Plans		\$ 71,484		
Accelerated Vesting of Stock Options <sup>3</sup>		\$ 771,192	\$ 771,192	\$ 771,192
Accelerated Vesting of Restricted Stock <sup>4</sup>		\$ 624,614	\$ 624,614	\$ 624,614
Post-termination Health Care <sup>5</sup>		\$ 20,000		
Outplacement Services		\$ 49,905		
280G Tax Gross Up		\$ 0		
<b>Total:</b>		\$ 3,368,394	\$ 1,395,805	\$ 1,395,805

**Table of Contents***H. Carol Bernstein*

The following table shows the potential payments upon termination with or without a change in control for named executive officer H. Carol Bernstein, assuming such events occurred on September 30, 2012. Footnotes describing the assumptions in calculations are included following the last table in this section, as is a description of the employment terms and plans providing benefits specified in the table below.

Executive Benefits and Payments Upon Termination	Involuntary Not for Cause or Good Reason Termination In Connection with			
	No Change in Control	a Change in Control	Death	Disability
Salary Continuation		\$ 640,000		
Bonus Through Termination Date <sup>2</sup>		\$ 301,200		
Bonus Continuation <sup>2</sup>		\$ 602,400		
Contributions under Retirement Plans		\$ 69,193		
Accelerated Vesting of Stock Options <sup>3</sup>		\$ 650,436	\$ 650,436	\$ 650,436
Accelerated Vesting of Restricted Stock <sup>4</sup>		\$ 539,856	\$ 539,856	\$ 539,856
Post-termination Health Care <sup>5</sup>		\$ 20,000		
Outplacement Services		\$ 48,000		
280G Tax Gross Up		\$ 0		
<b>Total:</b>		\$ 2,871,084	\$ 1,190,292	\$ 1,190,292

<sup>1</sup> This figure reflects the lump sum value of twelve months of salary continuation.

<sup>2</sup> In accordance with the terms of the change in control agreements described below, for purposes of calculating the bonus through the termination date, the bonus amount for each named executive officer is equal to the greatest of: (i) the target bonus amount for the fiscal year in which the Change in Control occurs, (ii) the target bonus amount for the fiscal year in which the termination date occurs, and (iii) the highest bonus amount paid or payable to the named executive officer in respect of any of the three fiscal years preceding the fiscal year in which the Change in Control occurs. Assuming a Change in Control and termination date as of September 30, 2012, the bonus amounts for Mr. Noglows, Mr. Johnson, Mr. Wobby, Mr. Weisman and Ms. Bernstein represent the highest bonus amount paid to them in respect of one of the three fiscal years preceding fiscal year 2012. The amount disclosed as bonus continuation for Mr. Noglows represents three times his bonus amount and the amount disclosed as bonus continuation for Mr. Johnson, Mr. Wobby, Mr. Weisman, and Ms. Bernstein represents two times their bonus amounts, each in accordance with the terms of the change in control agreements described below.

<sup>3</sup> This figure represents the aggregate difference between the exercise price of the options and \$35.14, which was the fair market value of a share of our common stock on September 28, 2012 (the last trading day of the 2012 fiscal year). This figure does not include the value of vested but unexercised options. The table below sets forth the total value of all options, which includes the value of the accelerated options and the vested but unexercised options.

Named Executive Officer	Total Value of Options
Mr. Noglows	\$ 8,032,583
Mr. Johnson	\$ 4,249,347
Mr. Wobby	\$ 2,725,973
Mr. Weisman	\$ 3,109,515
Ms. Bernstein	\$ 2,596,056





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For Mr. Noglows, the figure disclosed in the No Change in Control column represents the value of his outstanding and unexercisable options that were scheduled to vest during the twelve months following termination, in accordance with the terms of Mr. Noglows employment agreement. For purposes of this table, the value of these options was also calculated assuming a market price of \$35.14, which was the fair market value of a share of our common stock on September 28, 2012 (the last trading day of the 2012 fiscal year).

In the event of a termination of service by reason of death or disability, the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan, and the non-qualified stock option grant agreements under each plan, provide that unvested options shall fully vest for all participants, including the named executive officers.

As described in Effects of the Leveraged Recapitalization with a Special Cash Dividend Completed March 2, 2012, any awards of non-qualified stock options outstanding on the dividend payment date of March 1, 2012, were proportionally adjusted as required by the 2000 Equity Incentive Plan. The figures disclosed regarding the value of such awards remain unchanged, as the fair value of each outstanding award immediately following the payment of the special cash dividend was equal to the fair value immediately prior to such distribution.

<sup>4</sup> This figure represents the number of shares vested multiplied by \$35.14, which was the fair market value of the shares on September 28, 2012 (the last trading date of the 2012 fiscal year). This figure does not include the value of restricted stock that has already vested, including shares on deposit under our Executive Officer Deposit Share Program.

In the event of a termination of service by reason of death or disability, the 2000 Equity Incentive Plan, the 2012 Omnibus Incentive Plan, and the restricted stock award agreements under each plan, provide that unvested restricted stock shall fully vest for all participants, including the named executive officers.

<sup>5</sup> This amount assumes comparable health care coverage to that which is currently provided under our existing plan. Our company is self-insured, therefore there is no employer contribution amount. We have estimated the cost of post-termination health care to be \$10,000 per person per year. This amount could vary depending on the details of any new or replacement plan that may be in place in the event of a change in control, or any changes to our plan that are made for regulatory or other reasons.

Pursuant to the terms of the company's 2000 Equity Incentive Plan, the 2012 Omnibus Incentive Plan, and the awards granted thereunder, the named executive officers receive the accelerated vesting of certain equity awards in the event of a Change in Control without termination of employment. The value of the accelerated vesting for each named executive officer, assuming a change in control, is the same value as disclosed in the In Connection with a Change in Control column above.

**Employment Agreement**

Pursuant to Mr. Noglows November 3, 2003 employment agreement, if we terminate his employment without cause or Mr. Noglows terminates his employment because we breached the terms of his agreement, the company must pay Mr. Noglows one year's base salary over the one year period following such termination and allow any options that would vest during such period to vest during such time. Aside from the requirements set forth in the employment agreement, there are no other material conditions to receipt by Mr. Noglows of these termination benefits, although Mr. Noglows still would be subject to the terms of our standard confidentiality, intellectual property and non-competition agreement, which he entered into when he joined our company, and of the relevant stock option grant agreements. The amount and terms of this severance arrangement was determined by our compensation committee, in consultation with its outside compensation consultant, and included consideration of market practices for similar arrangements for other chief executive officers of comparable companies.

**Change in Control Severance Protection Agreements**

We have entered into Change in Control Severance Protection Agreements (change in control agreements), the specific form of which is available as Exhibit 10.23 to our Form 10-K filed on November 25,

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2008, with each of the named executive officers, our other executive officers, and certain key employees of our company, because we believe such agreements are valuable aspects in enabling a smooth transition and providing continuity of management in the event of a change in control of our company; all of the change in control agreements remain unamended and according to such filed exhibit. Under the change in control agreements, which are double trigger agreements and which we believe are in compliance with the American Jobs Creation Act, each executive officer, including the named executive officers, whose employment with us terminates (including an executive's voluntary termination of employment for either good reason, as defined in the agreement, or during the thirty-day period commencing on the first anniversary of a change in control), other than for cause, disability, death, or certain other specified reasons, within thirteen months after a change in control of our company (as such term is defined in the agreements), is entitled to a severance benefit. The severance benefit includes:

accrued and unpaid compensation including: base salary, reimbursement for reasonable and necessary expenses incurred by the executive on our behalf through the date of termination, vacation pay and earned and unpaid bonuses and incentive compensation with respect to the period prior to the termination date;

the Bonus Amount (which is the greatest of (i) the executive's target bonus amount for the fiscal year in which the change in control occurs, (ii) the executive's target bonus amount for the fiscal year in which the termination date occurs, and (iii) the highest bonus paid or payable to the executive in respect of any of the three fiscal years preceding the fiscal year in which change in control occurs), pro-rated for the number of days that have elapsed in the fiscal year through the termination date;

two times (in the case of Mr. Johnson, Mr. Wobby, Mr. Weisman, and Ms. Bernstein) or three times (in the case of Mr. Noglows), the executive's annual base salary plus the Bonus Amount plus an amount equal to the contributions made or credited by us under all qualified and non-qualified retirement plans for the benefit of the executive for the most recently completed plan year of each such plan (e.g., the 401(k) Plan and Supplemental Plan), payable in a lump sum;

health and welfare benefits (consistent with health and welfare benefits available to all employees for which they had been eligible prior to their termination) for 24 months (in the case of Mr. Johnson, Mr. Wobby, Mr. Weisman, and Ms. Bernstein) or 36 months (in the case of Mr. Noglows) following the executive's termination date;

payment or reimbursement for the costs, fees and expense of outplacement assistance services, up to a maximum of fifteen percent of the executive's annual base salary; and

a full gross-up payment of any and all excise (but not income) taxes assessed on amounts received under the change in control agreements, as well as all other taxes, other than income taxes, that may become due as a result of the gross-up payment (a change in control severance protection agreement entered into subsequent to 2008 for a new executive officer does not include this provision).

Cause as defined in the agreements means (i) the willful and continued failure to perform substantially the duties reasonably assigned to the executive and (ii) the willful engaging in conduct that is demonstrably and materially injurious to the company, monetarily or otherwise.

The agreements define Good Reason as the taking of actions by the company that result in a material negative change in the executive's employment relationship, including (i) a change in the executive's status, title, position or responsibilities (including reporting responsibilities) which represents a material adverse change from those in effect immediately prior to the Change in Control, (ii) an assignment of the executive's duties or responsibilities that are materially inconsistent with his or her status, title, position or responsibilities as of immediately prior to the Change in Control, (iii) a material decrease in the executive's annual base salary below the rate in effect as of the Change in Control or as of any date following the Change in Control, whichever is greater (iv) relocation of the offices of the company or operating unit at which the executive is principally employed that increases the executive's one-way commute by more than thirty-five (35) miles from the location of the offices occupied immediately prior to such relocation, or (v) any other action or inaction that constitutes a material breach by the company of the agreement.



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A Change in Control means (i) any person, together with all affiliates and associates (within the meaning of Rule 12b-2 promulgated under the Exchange Act), acquires beneficial ownership, directly or indirectly, or securities of the company representing at least thirty percent (30%) of the combined voting power of the company's then outstanding voting securities, (ii) during any period of twenty-four (24) consecutive months beginning on or after the date of the agreement, individuals who, at the beginning of that 24-month period, constitute the Board (the Incumbent Directors), cease for any reason to constitute at least a majority of the Board; provided, however, that a new director of the company whose election or nomination for election as a director of the company was approved by a vote of at least two-thirds of the Incumbent Directors will be deemed to be an Incumbent Director, (iii) one of the following events occur at a special or annual meeting of the company's stockholder: (a) two or more nominees who are both (A) nominees of and endorsed by the company and (B) not employees of the company or any Affiliate at the time of the election are not elected to serve as directors; and (b) any person not a nominee of, and endorsed by, the company is elected to serve as a director of the company, (iv) the consummation of: (a) a merger, consolidation or reorganization involving the company, unless the merger, consolidation or reorganization is a Non-Control Transaction; or (b) an agreement for the sale or other disposition of all or substantially all of the assets of the company to any Person (other than a transfer to a Change in Control Subsidiary), or (v) the stockholders of the company approve a complete liquidation or dissolution of the company. Notwithstanding the foregoing, a Change in Control will not be deemed to occur solely because a person acquires beneficial ownership of more than the permitted amount of the then outstanding voting securities as a result of the acquisition of voting securities by the company which, by reducing the number of voting securities then outstanding, increases the percentage of shares beneficially owned by the person. Notwithstanding the foregoing, if a Change in Control would occur but for the operation of the preceding sentence as a result of the acquisition of voting securities by the company, and after that acquisition by the company, the person described in the preceding sentence increases the percentage of then outstanding voting securities he or she owns, a Change in Control will occur.

We also have similar change in control severance protection agreements providing for two times severance benefits in place with our other executive officers (with the exception of our Principal Accounting Officer, Thomas S. Roman, whose agreement provides for one times severance benefits). Under the change in control agreements, all amounts accrued or awarded to the executive officers under any incentive compensation or benefit plan, including options and restricted stock awarded under the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan, will immediately vest on each executive's respective termination date if the executive is entitled to severance benefits.

Our board of directors and compensation committee determined the terms and conditions of the change in control severance protection agreements, including the severance benefit payable, and the triggering events for the payment of such severance benefit, pursuant to such agreement, in consultation with their compensation consultant and our financial and other advisors, and considered external practices at similarly situated companies regarding change in control arrangements.

**Treatment of Equity Awards**

The 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan provide that an award shall immediately terminate on the date a participant's service terminates, unless otherwise set forth in an award agreement. Similarly, in the event of a Change in Control, the compensation committee has the discretion to provide for accelerated vesting in an award agreement. In the event of a Change in Control that is a merger or consolidation in which the company is not the surviving corporation or that results in the acquisition of substantially all of the company's outstanding stock or in the event of a sale or transfer of all or substantially all of the company's assets (a Covered Transaction), the compensation committee has the discretion to provide for the termination of all outstanding options as of the effective date of the Covered Transaction; provided, that, if the Covered Transaction follows a Change in Control or would give rise to a Change in Control, no option will be terminated prior to the expiration of twenty days following the later of: (i) the date on which the award became fully exercisable and (ii) the date on which the participant receive written notice of the Covered Transaction.

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Under the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan, Change in Control means: (a) any person as such term is used in Sections 13(d) and 14(d) of the 1934 Act (other than (i) the company, (ii) any subsidiary of the company, (iii) any trustee or other fiduciary holding securities under an employee benefit plan of the company or of any subsidiary of the company, or (iv) any company owned, directly or indirectly, by the stockholders of the company in substantially the same proportions as their ownership of stock of the company), is or becomes the beneficial owner (as defined in Section 13(d) of the 1934 Act), together with all Affiliates and Associates (as such terms are used in Rule 12b-2 of the General Rules and Regulations under the 1934 Act) of such person, directly or indirectly, of securities of the company representing thirty percent (30%) or more of the combined voting power of the company's then outstanding securities; (b) the consummation of a merger or consolidation of the company with any other company, other than (i) a merger or consolidation which would result in the voting securities of the company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the company or any subsidiary of the company, at least sixty percent (60%) of the combined voting power of the voting securities of the company or such surviving entity outstanding immediately after such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the company (or similar transaction) after which no person (with the method of determining beneficial ownership used in clause (a) of this definition) owns more than thirty percent (30%) of the combined voting power of the securities of the company or the surviving entity of such merger or consolidation; or (c) during any period of two consecutive years (not including any period prior to the execution of the 2000 Equity Incentive Plan or the 2012 Omnibus Incentive Plan, as applicable), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has conducted or threatened a proxy contest, or has entered into an agreement with the company to effect a transaction described in clause (a), (b) or (d) of this definition) whose election by the Board or nomination for election by the company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute at least a majority thereof; or (d) the stockholders of the company approve a plan of complete liquidation of the company or an agreement for the sale or disposition by the company of all or substantially all of the company's assets.

Pursuant to the non-qualified stock option grant agreements, the option grants will become fully vested in the event of a Change in Control (as defined in the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan). In the event of a Change in Control that constitutes a Covered Transaction, the compensation committee may, in its sole discretion, terminate any or all outstanding options as of the effective date of the Covered Transaction; provided that the compensation committee may not terminate an option outstanding under the agreement earlier than twenty days following the later of: (i) the date on which the award became fully vested and (ii) the date on which the participant received written notice of the Covered Transaction. In the event of a termination of service by reason of death or Disability, then any unvested portion of the options will become fully vested. Disability has the meaning provided under (i) first, an employment agreement between the participant and the company, (ii) second, if no employment agreement exists, the long-term disability program maintained by the company or any governmental entity covering the Participant, or (iii) third, if no such agreement or program exists, permanent and total disability within the meaning of Section 22(e)(3) of the Code.

Pursuant to the restricted stock award agreements, the awards will become fully vested and all restrictions will lapse in the event of a participant's death, Disability, or Change in Control (as defined in the 2000 Equity Incentive Plan and the 2012 Omnibus Incentive Plan). Disability has the meaning provided under (i) first, an employment agreement between the participant and the company, (ii) second, if no such employment agreement exists, the long-term disability program maintained by the company or any governmental entity covering the participant, or (iii) third, if no such agreement or program exists, as defined under local law.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

*Certain Relationships*

At present we have no related party transactions and there are no currently proposed related party transactions.

*Related Party Transactions*

Although at present we have no related party transactions, we may from time to time enter into transactions with related persons. Related persons include our directors and executive officers, nominees for director, 5% or more beneficial owners of our common stock, and immediate family members of such persons. As set forth in our audit committee charter, a current copy of which is attached to this proxy statement as Appendix A and is also available on our website at [www.cabotcmp.com](http://www.cabotcmp.com), any related person transaction must be reviewed and approved in advance by our audit committee. All of our employees, including our executive officers, and directors are subject to our Code of Business Conduct, which is available on our website. Our Code of Business Conduct prohibits any relationship that may present, or appears to present, a conflict of interest with our company. Among other things, this includes a prohibition on the holding of more than a nominal financial interest in or financial relationship with any publicly held company with whom we do business or compete, and prohibits any financial interest in or financial relationship with such entities if they are privately held. Any request for waiver of our Code of Business Conduct for our directors and executive officers may be approved only by our board of directors; to date, no such waivers have been requested or approved. In addition to the provisions of our Code of Business Conduct, our nominating and corporate governance committee charter and our corporate governance guidelines, both of which are also available on our website, also contain provisions requiring the review of potential conflicts of interest of prospective and current directors and the requirement of notification, and offer of tender of resignation, by directors, and review by the nominating and corporate governance committee and the board of directors of any change in employment or for-profit board membership status.

*Indemnification*

Our bylaws and our certificate of incorporation require us to indemnify our directors and officers to the fullest extent authorized by the Delaware General Corporation Law. We have entered into indemnification agreements with all of our directors and executive officers in which we confirm that we will provide to them the indemnification rights provided for in our bylaws and agree to maintain directors' and officers' liability insurance on their behalf.

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**NON-BINDING ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION**

Under Section 14A of the Securities and Exchange Act of 1934, enacted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and as implemented by SEC Proposed Rule 14a-21(a), our company must conduct a separate non-binding stockholder advisory vote at least every three years to approve our company's executive officer compensation, as disclosed in our Compensation Discussion and Analysis, related compensation tables, and other related material ( named executive officer compensation program ) under the compensation disclosure rules of the SEC, in any proxy or consent or authorization for an annual or other meeting of our stockholders. Our stockholders supported a one year frequency for this stockholder advisory vote at our 2011 Annual Meeting. As such, the board of directors has determined the company will hold a non-binding advisory vote on the compensation of our named executive officers every year.

Thus, our board of directors is providing stockholders with the opportunity to cast a non-binding advisory vote on our named executive officer compensation program at our 2013 Annual Meeting. This vote will not be binding on or overrule any decisions by our board of directors, and will not create or imply any additional fiduciary duty on the part of our board of directors. However, our compensation committee will take into account the outcome of the vote when considering future named executive officer compensation arrangements.

As described in greater detail in our Compensation Discussion and Analysis above, we believe that our named executive officer compensation program is structured in a manner that most effectively supports our company and our business objectives. Our named executive officer compensation program is substantially tied to our key business objectives and the success of our stockholders. If value we deliver to our stockholders declines, so does the compensation we deliver to our executive officers. We also closely monitor the various short-term and long-term aspects of our named executive officer compensation program, including base salary, annual cash bonus and equity incentives, in comparison to similar programs and practices at comparable companies, so that we may ensure that our named executive officer compensation program is within the norm of the range of market practices.

Our board of directors determined that the best way to allow our stockholders to vote on the company's named executive officer compensation program is through the following resolution:

**RESOLVED**, that the stockholders approve Cabot Microelectronics Corporation's compensation of its named executive officers, as disclosed in this proxy statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission (which includes the Compensation Discussion and Analysis, the compensation tables and related material).

*Our board of directors unanimously recommends that you vote **FOR** this proposal.*



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### **RATIFICATION OF THE SELECTION OF INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP, an independent registered public accounting firm, audited our financial statements for fiscal year 2012, and has been selected by the audit committee of our board of directors to audit our financial statements for fiscal year 2013. A representative of PricewaterhouseCoopers LLP is expected to attend our annual meeting, where he will have the opportunity to make a statement, if he desires, and will be available to respond to appropriate questions.

Stockholder ratification of the selection of PricewaterhouseCoopers LLP as our independent auditors is not required by our bylaws or otherwise. However, our board is submitting the selection of PricewaterhouseCoopers LLP to our stockholders for ratification as a matter of good corporate practice. If our stockholders fail to ratify the selection, our audit committee will review its future selection of auditors. Even if the selection is ratified, the audit committee, in its discretion, may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of our company and our stockholders.

For information regarding audit and other fees billed by PricewaterhouseCoopers LLP for services rendered in fiscal year 2012 and fiscal year 2011, see FEES OF INDEPENDENT AUDITORS AND AUDIT COMMITTEE REPORT Fees Billed by Independent Auditors, above.

*Our board of directors recommends that you vote FOR the ratification of the selection of our independent auditors.*

### **2014 ANNUAL MEETING OF STOCKHOLDERS**

The 2014 annual meeting of stockholders is presently scheduled to be held on Tuesday, March 4, 2014. Any proposals of stockholders intended for inclusion in the proxy statement for our 2014 annual meeting of stockholders must be received by the Secretary of our company at our offices at 870 North Commons Drive, Aurora, Illinois 60504, by Friday, September 20, 2013. If a stockholder of the company intends to present a proposal at the 2014 annual meeting of stockholders, such stockholder must comply with the advance notice provisions of our bylaws. Those provisions require that such proposal must be received by our Secretary at 870 North Commons Drive, Aurora, Illinois 60504, not earlier than Tuesday, November 5, 2013 and not later than Thursday, December 5, 2013. Subject to certain exceptions set forth in our bylaws, such proposals must contain specific information concerning the person to be nominated or the matters to be brought before the meeting and concerning the stockholder submitting the proposal.

### **HOUSEHOLDING OF PROXY MATERIALS**

The SEC has adopted rules that permit companies and intermediaries (e.g. brokers) to satisfy the delivery requirements with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials addressed to those stockholders. This process, which is commonly referred to as householding, potentially means additional convenience for stockholders and cost savings for companies.

A number of brokers with accountholders who are stockholders will be householding the Notice of Internet Availability of Proxy Materials. As indicated in the notice previously provided by these brokers to stockholders, a single Notice of Internet Availability of Proxy Materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from an affected stockholder. Once you have received notice from your broker or us that they will be householding communications to your address, householding will continue until you are notified otherwise.

Stockholders who received a householded mailing this year and would like to have additional copies of the Notice of Internet Availability of Proxy Materials mailed to them, or would like to opt out of this practice for future mailings should submit a written request to our transfer agent, Computershare Trust Company, N.A., at

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P.O. Box 43010, Providence, Rhode Island 02940-3010 Attention: Shareholder Inquiries. We will promptly send additional copies of the Notice of Internet Availability of Proxy Materials upon receipt of such request.

Stockholders who currently receive multiple copies of the Notice of Internet Availability of Proxy Materials at their address and would like to request householding of their communications should contact their broker or, if a stockholder is a direct holder of shares of our common stock, they should submit a written request to our transfer agent, Computershare Trust Company, N.A., at P.O. Box 43010, Providence, Rhode Island 02940-3010 Attention: Shareholder Inquiries.

**VOTING THROUGH THE INTERNET OR BY TELEPHONE**

Our stockholders voting through the internet should understand that there may be costs associated with electronic access, such as usage charges from internet access providers and telephone companies, that must be borne by the stockholder. To vote by telephone if you are a record holder of our common stock, call toll free 1-800-690-6903 and follow the instructions provided by the recorded message. To vote by telephone if you are a beneficial owner of our common stock, call the toll free number listed in your Proxy Card or follow the instructions provided by your broker. To vote through the internet, go to [www.proxyvote.com](http://www.proxyvote.com) and follow the steps on the secured website. You also may access the proxyvote website by going to our website, [www.cabotcmp.com](http://www.cabotcmp.com), selecting Investor Relations on our Homepage, and then selecting Annual Meeting/Proxy from the dropdown menu .

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*Appendix A*

**CABOT MICROELECTRONICS CORPORATION**

**AUDIT COMMITTEE CHARTER**

**Purpose**

The purpose of the Audit Committee (the *Committee*) of the Board of Directors (the *Board*) of Cabot Microelectronics Corporation (the *Company*) is to oversee the *Company*'s accounting and financial reporting processes and the audit of its financial statements. The *Committee* is responsible for overseeing the *Company*'s accounting and system of internal controls, the quality and integrity of the *Company*'s financial reports and the independence and performance of the *Company*'s independent public accountants responsible for the annual audit and quarterly reviews of the *Company*'s financial statements ( *independent auditor* ). In so doing, the *Committee* should endeavor to maintain free and open means of communication between the members of the *Committee*, other members of the *Board*, the independent auditor, the senior and financial management of the *Company*, and with any employees of the *Company* or other individuals who desire to bring accounting, internal accounting controls, auditing, or other matters to the *Committee*'s attention.

In the exercise of its oversight responsibilities, it is not the duty of the *Committee* to plan or conduct audits or to determine that the *Company*'s financial statements fairly present the *Company*'s financial position and results of operation and are in accordance with generally accepted accounting principles. Instead, such duties remain the responsibility of management and the independent auditor. Nothing contained in this charter is intended to alter or impair the operation of the *business judgment rule* as interpreted by the courts under the Delaware General Corporation Law. Further, nothing contained in this charter is intended to alter or impair the right of the members of the *Committee* under the Delaware General Corporation Law to rely, in discharging their responsibilities, on the records of the *Company* and on other information presented to the *Committee*, *Board* or *Company* by officers or employees or by outside experts such as the independent auditor.

**Membership**

The *Committee* shall consist of at least three members of the *Board*. The members shall be appointed by action of the *Board*, upon recommendation of the Nominating and Corporate Governance *Committee*, and shall serve at the discretion of the *Board*. Each *Committee* member shall satisfy the *independence* and other requirements of relevant law, including rules adopted by the Securities and Exchange Commission ( *SEC* ), and the NASDAQ Stock Market LLC ( *NASDAQ* ). At least one member of the *Committee* shall satisfy the *financial expert* requirements of relevant law, including rules adopted by the *SEC*, and *NASDAQ*. Each member of the *Committee* shall be able to read and understand financial statements at the time of his or her appointment.

**Committee Organization and Procedures**

1. The Chair of the *Committee* shall be appointed by the *Board* by majority vote. The Chair (or in his or her absence, a member designated by the Chair) shall preside at all meetings of the *Committee*.
2. The *Committee* shall have the authority to establish its own rules and procedures consistent with the bylaws of the *Company* for notice and conduct of its meetings, should the *Committee*, in its discretion, deem it

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desirable to do so. Members of the Committee may participate telephonically in any meeting. A majority of the members of the Committee shall constitute a quorum for the transaction of business and the action of a majority of the members present at any meeting at which there is a quorum shall be the act of the Committee.

3. The Committee shall meet as frequently as the Committee in its discretion deems desirable.

4. The Committee may, in its discretion, include in its meetings members of the Company's management, representatives of the independent auditor, outside counsel, the director of internal audit and other personnel employed or retained by the Company, the Board or the Committee. The Committee shall meet periodically and as it deems appropriate with the independent auditor or the director of internal audit, outside counsel or other advisors in separate executive sessions to discuss any matters that the Committee believes should be addressed privately, without management's presence, and also shall meet periodically and as it deems appropriate in separate executive sessions with the Company's management.

5. The Committee may, in its discretion, retain and utilize the services of the Company's regular corporate legal counsel with respect to legal matters or its other advisors with respect to other matters or, at its discretion, retain other legal counsel or other advisors if it determines that such counsel or advice is necessary or appropriate under the circumstances.

6. The Committee shall have its own funding from the Company to pay for the services of the Company's independent auditors and any legal counsel or other advisors that are retained by the Committee.

7. The Secretary and General Counsel of the Company shall serve as Secretary of the Committee.

## **Responsibilities**

### *Independent Auditor*

8. The Committee has the sole and direct responsibility for selecting, appointing, terminating, compensating and overseeing the Company's independent auditor, as well as for resolving any disagreements between the independent auditors and management. The Committee shall only retain as independent auditor a firm, including representatives of the firm responsible for the Company's audit, that meets the requirements of relevant law, the Public Company Accounting Oversight Board (PCAOB), the SEC and NASDAQ. The independent auditor shall be accountable to the Committee for all matters, including the audit of the Company's annual financial statements and related services. The Committee shall select, appoint and periodically evaluate the performance of the independent auditor and, if necessary, replace the independent auditor. At the discretion of the Committee or to the extent required by relevant law, NASDAQ or the SEC, the Committee shall recommend to the Board the nomination of the independent auditor for stockholder ratification at any meeting of stockholders.

9. The Committee shall pre-approve the fees to be paid to the independent auditor and any other terms of the engagement of the independent auditor for any and all services (whether auditing services, audit-related services, tax services or permitted other (non-audit) services), to be provided by the independent auditor, in advance of such services being provided. The Committee may delegate such pre-approval of services to the Committee Chair, and the Committee Chair shall provide subsequent notification to the Committee of any such pre-approval at the next scheduled meeting of the Committee.

10. The Committee shall receive from the independent auditor and review, at least annually, a written statement delineating all relationships between the independent auditor and the Company, consistent with the PCAOB's Rule 3526, Communication with Audit Committees Concerning Independence (Rule 3526). The Committee shall actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that, in the view of the Committee, may impact the objectivity and independence of the independent auditor. If the Committee determines that further inquiry is advisable, the Committee shall take any appropriate action in response to the independent auditor's report to satisfy itself of the auditor's independence.

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### *Annual Audit*

11. The Committee shall meet with the independent auditor and management of the Company in connection with each annual audit to discuss the scope of the audit and the procedures to be followed.
12. The Committee shall review and discuss the audited financial statements with the management of the Company.
13. The Committee shall discuss with the independent auditor the matters required to be discussed by PCAOB AU Section 380 Communications with Audit Committees as then in effect including, among others, (i) the methods used to account for any significant unusual transaction reflected in the audited financial statements; (ii) the effect of significant and critical accounting policies in any controversial or emerging areas for which there is a lack of authoritative guidance or a consensus to be followed by the independent auditor; (iii) the process used by management in formulating particularly sensitive accounting estimates and the basis for the independent auditor's conclusions regarding the reasonableness of those estimates; and (iv) any disagreements with management over the application of accounting principles, the basis for management's accounting estimates or the disclosures in the financial statements.
14. The Committee shall, based on the review and discussions in paragraphs 11, 12, and 13 above, and based on the disclosures received from the independent auditor regarding its independence and discussions with the independent auditor regarding such independence in paragraph 10 above, recommend to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K for the fiscal year subject to the audit.
15. The Committee shall review and discuss with management, including the director of internal audit and, at its discretion, any provider of internal audit services, and the independent auditor the Company's internal controls report and the independent auditor's attestation of the report prior to the filing of the Company's Annual Report on Form 10-K for the fiscal year subject to the audit.

### *Quarterly Review*

16. The independent auditor is required to review the interim financial statements to be included in any Form 10-Q of the Company using professional standards and procedures for conducting such reviews, as established by generally accepted auditing standards as modified or supplemented by the SEC, prior to the filing of the Form 10-Q. The Committee shall discuss with management and the independent auditor in person, at a meeting, or by conference telephone call, the results of the quarterly review including such matters as significant adjustments, management judgments, accounting estimates, significant new accounting policies and disagreements with management. The Chair may represent the entire Committee for purposes of this discussion.

### *Internal Controls*

17. The Committee shall discuss with the independent auditor and the director of internal audit, as well as management, at least quarterly, the adequacy and effectiveness of the accounting, financial and internal controls of the Company, and consider any recommendations for improvement of such internal control procedures.
18. The Committee shall be provided, and discuss with, the independent auditor and with management any material written communications between the independent auditor and management, including any summary of aggregated deficiencies or management letter provided by the independent auditor (or other auditor) and any other significant matters brought to the attention of the Committee by the independent auditor (or other auditor) as a result of its annual or other audit. The Committee should allow management adequate time to consider any such matters raised by the independent auditor (or other auditor).
19. The Committee shall meet with the Company's Chief Executive Officer, Chief Financial Officer, and other Company management as appropriate and as required by relevant law, including rules adopted by the SEC, PCAOB, and NASDAQ, on a regular basis to discuss the Company's internal controls structure and procedures and status, and disclosure controls and procedures and status.

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*Internal Audit*

20. The Committee shall review and preapprove the selection of the Company's director of internal audit, and any termination of employment of such person. The Committee shall be notified in advance of, and at its discretion review and preapprove, the selection of any other provider of internal audit services. The Chair may represent the entire Committee for purposes of these matters.

21. The Committee shall discuss at least quarterly with the director of internal audit and, at its discretion other provider(s) of internal audit services (if any), the activities and organizational structure of the Company's internal audit function and the qualification of the primary personnel performing such function.

22. Management shall furnish to the Chair a copy of each internal audit report, and provide summaries thereof to the Committee, to whom it shall furnish a copy of each internal audit report if so requested by the Committee or any of its members.

23. The Committee shall, at its discretion, meet with the director of internal audit and other provider(s) of internal audit services (if any) to discuss any reports or any other matters brought to the attention of the Committee by the director of internal audit or other provider(s) of internal audit services (if any).

24. The director of internal audit and other provider(s) of internal audit services (if any) shall be granted unfettered access to the Committee.

*Other Responsibilities*

25. The Committee shall review and reassess the Committee's charter at least annually and submit any recommended changes to the Board for its consideration.

26. The Committee shall review and assess the Committee's fulfillment of its responsibilities pursuant to the Committee's charter at least annually and submit its conclusions in this regard to the Board for its consideration.

27. The Committee shall provide the report for inclusion in the Company's Annual Proxy Statement required by Item 407 of Regulation S-K of the SEC.

28. The Committee shall establish procedures in compliance with requirements of relevant law, including rules adopted by the SEC, and NASDAQ, for addressing matters and complaints brought to the Committee's attention by employees of the Company or other individuals regarding accounting, internal accounting controls, auditing, or other matters, and shall ensure that such complaints brought by employees are treated confidentially and anonymously to the extent required by law.

29. The Committee shall be responsible for receiving, dealing with, and responding to legal compliance reports relating to actual or alleged material violations of the securities laws, material breaches of fiduciary duties, or similar material violations.

30. The Committee shall have direct access to the Company's General Counsel, who serves as the Company's Chief Compliance Officer, and who has operational responsibility for the Company's compliance and ethics program, who in turn shall have direct reporting obligations to the Committee for related matters.

31. The Committee shall review and approve any related party transaction in advance of the Company's entering into any such related party transaction, and shall subsequently inform the Board of any such approval.

The Committee, through its Chair, shall report periodically, as deemed necessary or desirable by the Committee, but at least following its regularly scheduled meetings, to the full Board regarding the Committee's actions and recommendations, if any.

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*Appendix B*

**CABOT MICROELECTRONICS CORPORATION**  
**AUDIT COMMITTEE PRE-APPROVAL POLICY FOR SERVICES TO BE PROVIDED**  
**BY INDEPENDENT AUDITOR**

The Audit Committee (the *Committee*) of Cabot Microelectronics Corporation (the *Corporation*) has the sole and direct responsibility for selecting, appointing, terminating, compensating and overseeing the Company's independent auditor, as well as for resolving any disagreements between the independent auditors and management. Pursuant to the Committee's Charter, the Committee is required to pre-approve the audit and non-audit services performed by the Corporation's independent auditor in order to assure that the provision of such services does not impair the auditor's independence. Each type of service provided by the independent auditor will require specific pre-approval at a particular fee level by the Committee.

The Committee, through the Controller of the Corporation or another designated individual, will maintain a list of the Audit, Audit-related, Tax and All Other services that have been pre-approved by the Committee as of the particular date of the relevant list (the *List*), and will revise the list periodically, based on subsequent determinations of the Committee. The term of any pre-approval is twelve (12) months from the date of pre-approval, unless the Committee specifically provides for a different period.

**I. Delegation**

The Committee has delegated pre-approval authority to the Chairman of the Committee, and may delegate such pre-approval authority to others members of the Committee. The Chairman will report any pre-approval decisions to the Committee no later than at its next scheduled meeting. The Committee does not delegate its responsibilities to pre-approve services performed by the independent auditor to management.

**II. Audit Services**

The annual Audit services engagement terms and fees will be subject to the specific pre-approval of the Committee. The Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope or other matters.

In addition to the annual Audit services engagement approved by the Committee, the Committee may grant pre-approval for other Audit services, which are those services that only the independent auditor reasonably can provide and such Audit services will be placed on the List. All other Audit services not on the List must be separately pre-approved by the Committee.

**III. Audit-Related Services**

Audit-related services, including internal control-related services, are assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and that are traditionally performed by the independent auditor. The Committee believes that the provision of Audit-related services does not impair the independence of the auditor. The List will contain the pre-approved Audit-related services. All other Audit-related services not on the List, and all internal control-related services, must be separately pre-approved by the Committee.

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### **IV. Tax Services**

The Committee believes that the independent auditor can provide Tax services to the Corporation such as tax compliance, tax planning and tax advice without impairing the auditor's independence. However, the Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. The List will contain those Tax services that the Committee has pre-approved. All other Tax services not on the List must be separately pre-approved by the Committee.

### **V. All Other Services**

The Committee may grant pre-approval to those permissible non-audit services classified as All Other services that it believes are routine and recurring services, and would not impair the independence of the auditor. The List will contain All Other services that the Committee has pre-approved. Permissible All Other services not on the List must be separately pre-approved by the Committee.

A list of the Security and Exchange Commission's (SEC's) prohibited non-audit services is attached to this policy as Exhibit 1. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

### **VI. Pre-Approval Fee Levels**

At the time of pre-approval of services to be provided by the independent auditor, the Committee will establish an approved fee level for such services. Any increase in the fee level for such services will require additional specific pre-approval by the Committee.

### **VII. Supporting Documentation**

With respect to each proposed pre-approved service, the Committee will be provided with detailed back-up documentation, regarding the specific services to be provided.

### **VIII. Procedures**

Requests to provide services will be submitted to the Committee by both the independent auditor and the Corporation's Chief Financial Officer, Treasurer, Controller, or other designated officer, and each will state whether, in their view, the request is consistent with the SEC's rules on auditor independence.



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**EXHIBIT 1**

**PROHIBITED NON-AUDIT SERVICES**

Bookkeeping or other services related to the accounting records or financial statements of the audit client\*

Financial information systems design and implementation

Appraisal or valuation services\*, fairness opinions or contribution-in-kind reports

Actuarial services\*

Internal audit outsourcing services\*

Management functions

Human resources

Broker-dealer, investment adviser or investment banking services

Legal services

Expert services unrelated to the audit

(\* may be allowed in limited circumstances if reasonable to conclude that the results of these services will not be subject to audit procedures; check relevant SEC rules)

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***CABOT MICROELECTRONICS CORPORATION***

***ATTN: H. CAROL BERNSTEIN***

***870 N. COMMONS DRIVE***

***AURORA, IL 60504***

  

**Investor Address Line 1**

**Investor Address Line 2**

**Investor Address Line 3**

**Investor Address Line 4**

**Investor Address Line 5**

**John Sample**

**1234 ANYWHERE STREET**

**ANY CITY, ON A1A 1A1**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

	CONTROL #	SHARES	123,456,789,012.12345
NAME			
THE COMPANY NAME INC. - COMMON			

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<b>THE COMPANY NAME INC. - CLASS A</b>	<b>123,456,789,012.12345</b>
<b>THE COMPANY NAME INC. - CLASS B</b>	<b>123,456,789,012.12345</b>
<b>THE COMPANY NAME INC. - CLASS C</b>	<b>123,456,789,012.12345</b>
<b>THE COMPANY NAME INC. - CLASS D</b>	<b>123,456,789,012.12345</b>
<b>THE COMPANY NAME INC. - CLASS E</b>	<b>123,456,789,012.12345</b>
<b>THE COMPANY NAME INC. - CLASS F</b>	<b>123,456,789,012.12345</b>
<b>THE COMPANY NAME INC. - 401 K</b>	<b>123,456,789,012.12345</b>

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS  
FOLLOWS:    x

PAGE       1   OF       2

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**For All** **Withhold All** **For All Except** To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

**The Board of Directors recommends you vote FOR the following:**

1. Election of Directors  
Nominees

01 H. Laurance Fuller      02 Richard S. Hill      03 Edward J. Mooney

**The Board of Directors recommends you vote FOR proposals 2 and 3.**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
2 To approve, by non-binding advisory vote, executive compensation.	..	..	..
3 Ratification of the selection of PricewaterhouseCoopers LLP as the company s independent auditors for fiscal year 2013.	..	..	..

**NOTE:** Such other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

										<b>SHARES</b>	
										<b>CUSIP #</b>	
										<b>SEQUENCE #</b>	
		<b>JOB #</b>									
Signature [PLEASE SIGN WITHIN BOX]				Signature (Joint Owners)				Date			
0000153592_1 R1.0.0.51160								02 0000000000			

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice and Proxy Statement, Annual Report is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**CABOT MICROELECTRONICS CORPORATION**

**ANNUAL MEETING OF STOCKHOLDERS MARCH 5, 2013 - 8:00 A.M.**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS**

The undersigned stockholder of CABOT MICROELECTRONICS CORPORATION, a Delaware corporation (the Company), hereby appoints William P. Noglows and H. Carol Bernstein, and each of them, proxies and attorneys-in-fact of the undersigned, each with full power of substitution, to attend and act for the undersigned at the Annual Meeting of Stockholders to be held on Tuesday, March 5, 2013 at 8:00 a.m., local time at Cabot Microelectronics Corporation, 870 North Commons Drive, Aurora, Illinois 60504, and at any adjournments or postponements thereof, and in connection therewith to vote and represent all of the shares of common stock of the Company which the undersigned would be entitled to vote.

Each of the above-named proxies at said meeting, either in person or by substitute, shall have and exercise all of the powers said hereunder. In their discretion, each of the above-named proxies is authorized to vote upon such other business incident to the conduct of the Annual Meeting as may properly come before the meeting or any postponements or adjournments thereof. The undersigned hereby revokes all prior proxies given by the undersigned to vote at said meeting.

**If no instructions are indicated herein, this proxy will be treated as a grant of authority to vote for the proposals and any other matters to be voted upon at the Annual Meeting or at any postponements or adjournments thereof.**

**CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE**

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