CABOT MICROELECTRONICS CORP
Form DEF 14A
January 18, 2008

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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 þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement	o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).
þ	Definitive Proxy Statement		
o	Definitive Additional Materials		
o	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):

þ No fee required.

o 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) 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 4, 2008

To our Stockholders:

We are notifying you that the Annual Meeting of Stockholders of Cabot Microelectronics Corporation will be held on Tuesday, March 4, 2008 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 approve an increase of 500,000 authorized shares of common stock for issuance under the Cabot Microelectronics Corporation Employee Stock Purchase Plan;

3. To ratify the selection of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as our independent auditors for fiscal year 2008; and

4. To transact other business properly coming before the meeting.

Each of these matters is described in further detail in the enclosed proxy statement. We also have enclosed a copy of our 2007 Annual Report. Only stockholders of record at the close of business on January 15, 2008 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.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held March 4, 2008:

The proxy statement and annual report to stockholders are available at www.cabotcmp.com.

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, please complete the enclosed proxy card and return it in the envelope provided as promptly as possible or vote electronically through the Internet or by telephone. Your proxy can be withdrawn by you at any time before it is voted.

By order of the Board of Directors,

William P. Noglows
Chairman of the Board

Aurora, Illinois
January 22, 2008

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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 4, 2008 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. We are initially mailing this proxy statement and the enclosed proxy to our stockholders on or about January 22, 2008.

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 approval of an increase of 500,000 authorized shares of common stock for issuance under our employee stock purchase plan and the ratification of the selection of our independent auditors. In addition, our management will report generally on the fiscal year ended September 30, 2007 and respond to questions from stockholders.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held March 4, 2008:

The proxy statement and annual report to stockholders are available at www.cabotcmp.com.

What are our voting recommendations?

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 the increase of 500,000 authorized shares of common stock for issuance under the Cabot Microelectronics Corporation Employee Stock Purchase Plan (the ESPP) and FOR the ratification of the selection of our independent auditors.

Who is entitled to vote?

Only stockholders of record at the close of business on the record date, January 15, 2008, 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 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 23,782,425 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. You may vote in person by attending the meeting, presenting a valid form of photo identification and delivering your completed proxy card in person. You may vote by proxy by signing, dating and mailing the enclosed proxy card. In addition, you may vote by telephone or through the Internet by following the instructions included in your proxy card.

To vote by telephone, if you are a record holder of our common stock (that is, if you hold your stock in your own name in our stock records maintained by our stock transfer agent, Computershare Trust Company, N.A., P.O. Box 43078, Providence, Rhode Island 02940-3078), 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 on your Voter Instruction Card and follow the instructions provided by the recorded message. For all holders of our common stock (whether record or beneficial), to vote by the Internet, log on to the Internet and go to www.proxyvote.com and follow the steps on the secured website. You also may access the proxyvote website or view our proxy materials by going to our website, www.cabotcmp.com, selecting Investor Relations on our Homepage, and then selecting Proxy Materials from the Investor Information section on the left side of the Investor Relations page.

If you vote by proxy, the individuals named on the proxy card as proxy holders will vote your shares in the manner you indicate. If 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 increase of 500,000 authorized shares of common stock for issuance under the ESPP, and

the ratification of the selection of our independent auditors.

Can I revoke my proxy or change my vote after I return my proxy card or after I vote electronically 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, 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 approval of the increase in authorized shares of common stock for issuance under the ESPP and 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. 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 $8,500. We shall bear all costs of solicitation.

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STOCK OWNERSHIP

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of our common stock as of January 15, 2008 (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

Name and Address	Number of Shares Beneficially Owned(1)	Approximate Percent of Class(1)
CERTAIN BENEFICIAL OWNERS:		
1. Shapiro Capital Management LLC 3060 Peachtree Road, Suite 1555 N.W. Atlanta, Georgia 30305	2,559,807(2)	10.8%
2. Royce & Associates, LLC 1414 Ave. of the Americas New York, New York 10019	2,137,300(3)	9.0%
3. Legg Mason, Inc. 100 Light Street Baltimore, Maryland 21202	2,050,993(4)	8.6%
4. Snyder Capital Management LP One Market Plaza, Suite 1200 San Francisco, California 94105	2,011,852(5)	8.5%
5. Kornitzer Capital Management, Inc. 5420 W. 61st Place Shawnee Mission, Kansas 66295	1,886,705(6)	7.9%
6. Lord Abbett & Co. LLC 90 Hudson Street, 11th Floor Jersey City, New Jersey 07302	1,387,951(7)	5.8%
DIRECTORS AND EXECUTIVE OFFICERS:		

William P. Noglows	581,998(8)	2.4%
Robert J. Birgeneau	31,000(8)	*
John P. Frazee, Jr.	68,667(8)	*
H. Laurance Fuller	72,825(8)	*
Edward J. Mooney	35,957(8)	*
Steven V. Wilkinson	69,331(8)	*
Bailing Xia	6,375(8)	*
Albert Y. C. Yu	12,250(8)	*
William S. Johnson	187,918(8)	*
Adam F. Weisman	111,854(8)	*
Clifford L. Spiro	170,257(8)	*
H. Carol Bernstein	281,912(8)	1.2%
All directors and executive officers as a group (17 persons)	2,354,355(9)	9.9%

* = 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 15, 2008 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 23,782,425 shares of our common stock outstanding as of January 15, 2008.

(2) Of the shares reported as beneficially owned, Shapiro Capital Management LLC exercises (a) sole power to vote 2,204,363 shares, (b) shared power to vote 355,444, (c) sole investment power over 2,559,807 shares, and (d) shared investment power over 0 shares. The total number of shares reported as beneficially owned is 2,559,807. The number of shares indicated is based on information reported in the Schedule 13F Holdings Report filed by Shapiro Capital Management LLC on November 9, 2007.

(3) Of the shares reported as beneficially owned, Royce & Associates, LLC exercises (a) sole power to vote 2,137,300 shares, (b) shared power to vote 0 shares, (c) sole investment power over 2,137,300 shares and (d) shared investment power over 0 shares. The total number of shares reported as beneficially owned is 2,137,300. The number of shares indicated is based on information reported in Schedule 13F Holdings Report filed by Royce & Associates, LLC on November 6, 2007.

(4) Of the shares reported as beneficially owned, Legg Mason, Inc. exercises (a) sole power to vote 1,739,214 shares, (b) shared power to vote 0 shares, (c) no power to vote 311,779 shares, (d) sole investment power over 0 shares, and (e) shared investment power over 2,050,993 shares. The total number of shares reported as beneficially owned is 2,050,993. This information is based on information reported in the Schedule 13F Holdings Report filed by Legg Mason, Inc. on December 28, 2007. Based solely on information reported in such Schedule 13F filed by Legg Mason, Inc., the investment power with respect to the shares reported as beneficially owned by Legg Mason, Inc. is also shared with Clearbridge Advisors, LLC, Smith Barney Fund Management, LLC, and Legg Mason Private Portfolio Group, LLC.

(5) Of the shares reported as beneficially owned, Snyder Capital Management LP exercises (a) sole power to vote 42,300 shares, (b) shared power to vote 1,816,497 shares, (c) no power to vote 153,055 shares, (d) sole investment power over 0 shares, and (e) shared investment power over 2,011,852 shares. The total number of shares reported as beneficially owned is 2,011,852. The number of shares indicated is based on information reported in the Schedule 13F Holdings Report filed by Snyder Capital Management LP on November 14, 2007.

(6) Of the shares reported as beneficially owned, Kornitzer Capital Management, Inc. exercises (a) sole power to vote 1,886,705 shares, (b) shared power to vote 0 shares, (c) no power to vote 0 shares, (d) sole investment power over 1,886,705 shares, and (e) shared investment power over 0 shares. The total number of shares reported as beneficially owned is 1,886,705. The number of shares indicated is based on information reported in the Schedule 13F Holdings Report filed by Kornitzer Capital Management, Inc. on November 9, 2007.

(7) Of the shares reported as beneficially owned, Lord Abbett & Co. LLC exercises (a) sole power to vote 1,387,951 shares, (b) shared power to vote 0 shares, (c) sole investment power over 1,297,651 shares, and (d) shared investment power over 90,300 shares. The total number of shares reported as beneficially owned is 1,387,951. The number of shares indicated is based on information reported in the Schedule 13F Holdings Report filed by Lord Abbett & Co. LLC on November 14, 2007.

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(8) Includes shares of our common stock that such person has the right to acquire pursuant to stock options exercisable within 60 days of January 15, 2008, as follows:

Name	Upon Exercise Shares Issuable
Mr. Noglows	514,375
Mr. Birgeneau	29,000
Mr. Frazee	46,500
Mr. Fuller	54,000
Mr. Mooney	29,000
Mr. Wilkinson	46,500
Mr. Xia	1,875
Dr. Yu	10,250
Mr. Johnson	162,500
Mr. Weisman	92,125
Dr. Spiro	143,125
Ms. Bernstein	264,750

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 26, 2006 (2000 Equity Incentive Plan), on December 1, 2006 and November 30, 2007, respectively, that are still subject to restrictions as of January 15, 2008, as set forth in the table below. On December 1, 2006 and November 30, 2007, 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. Prior to these awards, our compensation committee had awarded only non-qualified stock option grants pursuant to our annual grant program. As permitted by the 2000 Equity Incentive Plan, beginning with the December 1, 2006 awards, our compensation committee decided to award a blend of non-qualified stock option grants and restricted stock awards (restricted stock units for our non-United States employees) to all employees who were receiving annual equity incentive 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 shares of restricted stock awarded. Our compensation committee made this decision primarily to address certain issues arising pursuant to a new accounting standard requiring the expensing of equity-based compensation issued by the Financial Accounting Standards Board that became applicable to us as of October 1, 2005, as well as to provide a more competitive balance of the types of equity incentives being awarded to our employees pursuant to the 2000 Equity Incentive Plan.

	Annual Equity Incentive Program Restricted Shares	
Name	12/1/2006	11/30/07
Mr. Noglows	14,400	18,000
Mr. Johnson	6,525	9,200
Mr. Weisman	7,125	7,500

Dr. Spiro	7,125	7,500
Ms. Bernstein	6,525	5,500

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 15, 2008 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 bonus compensation to purchase at fair market value shares of restricted stock awarded under

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the 2000 Equity 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. Such executive officer has dividend and voting rights with respect to the restricted shares.

Name	**Deposit Share Program Restricted Shares**
Mr. Noglows	5,192
Mr. Johnson	2,298
Mr. Weisman	685
Dr. Spiro	4,336
Ms. Bernstein	1,269

Also includes restricted shares of common stock awarded to such non-employee director pursuant to the 2000 Equity Incentive Plan that are still subject to restrictions as of January 15, 2008, as set forth in the table below. Prior to March 5, 2007, the Company awarded annual grants of 10,000 non-qualified stock options and initial grants of 15,000 non-qualified stock options, and did not award restricted stock, to non-employee directors. The equity incentive element changes reflect a desire to align the Company s equity awards for non-employee directors with the Company s revised equity incentive program for employees, including executive officers, as described above. The revised equity awards reflect an approximate three-to-one ratio of non-qualified stock options to shares of restricted stock, which is consistent with the changes to the annual equity incentive award program for employees, including executive officers, and also effectively increased the annual equity incentive award to each non-employee director from an equivalent of 10,000 non-qualified stock options to an equivalent of 12,000 non-qualified stock options. The initial equity incentive award to a non-employee director remains an equivalent of 15,000 non-qualified stock options. As with awards to our employees, including our executive officers, for annual equity awards to non-employee directors, restricted shares are awarded with restrictions that lapse in equal increments upon each anniversary over four years. Initial equity awards of restricted shares to non-employee directors are made with restrictions that lapse in equal annual increments beginning on the date of the award. The outstanding restricted stock awards are eligible to receive dividends and have voting rights.

Name	**Non-Employee Director Restricted Shares**
Mr. Birgeneau	2,000
Mr. Frazee	2,000
Mr. Fuller	2,000
Mr. Mooney	2,000
Mr. Wilkinson	2,000
Mr. Xia*	3,875
Dr. Yu	2,000

* Mr. Xia was elected a director on September 17, 2007, and received both an initial and an annual non-employee director equity award as of such date.

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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 15, 2008, as follows:

Name	Phantom Shares
Mr. Birgeneau*	
Mr. Frazee**	10,167
Mr. Fuller	9,825
Mr. Mooney	4,952
Mr. Wilkinson**	11,471
Mr. Xia*	
Dr. Yu*	

* Messrs. Birgeneau and Xia and Dr. Yu are not participants in the Directors Deferred Compensation Plan.

** As of January 1, 2008, Messrs. Frazee and Wilkinson have elected to cease deferral of their compensation pursuant to the Directors Deferred Compensation Plan.

(9) Includes 2,030,763 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 15, 2008, 142,275 restricted shares of our common stock held by our executive officers still subject to restrictions as of January 15, 2008, and 36,415 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 15, 2008.

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 2007.

ELECTION OF DIRECTORS

Our board of directors is currently comprised of eight directors. The board of directors is divided into three classes: Class II, whose terms will expire at the upcoming annual meeting of stockholders; Class III, whose terms will expire at the annual meeting of stockholders to be held in 2009; and Class I, whose terms will expire at the annual meeting of stockholders to be held in 2010. Messrs. Birgeneau, Wilkinson and Xia are currently in Class II, Messrs. Frazee and Noglows and Dr. Yu are currently in Class III, and Messrs. Fuller and Mooney are currently in Class I.

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 2011. Proxies will be so voted unless stockholders specify otherwise in their proxies.

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.

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

Nominees for election at this meeting for terms expiring in 2011:

Robert J. Birgeneau, 65, 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 department of physics 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 the physics department of M.I.T. Mr. Birgeneau received his B.S. in mathematics from the University of Toronto and his Ph.D. in physics from Yale University.

Steven V. Wilkinson, 66, 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 worked for Arthur Andersen LLP, where he became a partner in 1974. Mr. Wilkinson received his B.A. in economics from DePauw University and his M.B.A. from the University of Chicago.

Bailing Xia, 52, was elected a director of our company in September 2007. He is the Chairman and Chief Executive Officer of Summer Leaf, Inc., a privately-held technology and project development consulting company, headquartered in Toronto, Canada, and has served in that role since 1996. In addition, he also is the Chief Representative in North America for China Central Television (CCTV) for education, science, technology, culture and health programs, a position he has held since 1994. Mr. Xia also has served as a director of Lingo Media International, Inc., a publicly-traded leading publisher of English-language educational programs in China, since 2004. In addition, in April 2007 he was appointed a Member of the Planning Committee of the China Development Bank. Mr. Xia holds a degree in Economics from Anhui University, and also graduated from the Sino-American Scientific Technology, Industry and Business Administration Program.

Directors whose terms continue until 2009:

John P. Frazee, Jr., 63, 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 received his bachelor s degree in political science from Randolph-Macon College.

William P. Noglows, 49, has served as our Chairman, President and Chief Executive Officer since November 2003. Mr. Noglows also is a director of Littlefuse, 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 degree in Chemical Engineering from the Georgia Institute of Technology.

Dr. Albert Y. C. Yu, 66, was elected a director of our company in March 2005. He also is a director of Preferred Bank, PDF Solutions, Inc., and Semiconductor Manufacturing International Corporation. Dr. Yu is the Chairman of OneAngstrom LLC, and prior to that he served as a Senior Vice President and member of the corporate Management Committee of Intel Corporation, until his retirement in 2002 following service with Intel for almost thirty years. Dr. Yu received a B.S. in electrical engineering from the California Institute of Technology, and a M.S. and Ph.D., also in electrical engineering, from Stanford University.

Directors whose terms continue until 2010:

H. Laurance Fuller, 69, 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., a global petroleum and petrochemicals company, in 2000 after serving as Chairman and Chief Executive Officer of Amoco Corporation since 1991 and President since 1983. Mr. Fuller received his B.S. in chemical engineering from Cornell University.

Edward J. Mooney, 66, was elected a director of our company in March 2005. He also serves on the boards of directors of FMC Corporation, FMC Technologies, Inc., the Northern Trust Corporation and PolyOne Corporation. Mr. Mooney was the Delegue 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, one of the world s largest providers of water and chemical treatment technologies and services. Mr. Mooney received both a B.S. in chemical engineering and a J.D. from the University of Texas.

BOARD STRUCTURE AND COMPENSATION

Board of Directors and Board Committees

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, along with other corporate governance materials, such as board of directors committee charters and our Code of Business Conduct. During fiscal year 2007, our board of directors held ten meetings and took action by written consent once. Each of our directors (other than Mr. Xia, who was elected September 17, 2007) attended our annual meeting of stockholders in fiscal year 2007. Each of our directors (other than Dr. Yu, and other than Mr. Xia, who was elected September 17, 2007) attended at least 75% of all the meetings of the board and those committees on which he served during fiscal year 2007. Since fiscal year end, the board of directors has met twice. 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. The board of directors has determined that seven of our eight directors, including Messrs. Birgeneau, Frazee, Fuller, Mooney, Wilkinson, and Xia and Dr. Yu, 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 Securities and Exchange Commission (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 in the past pursuant to certain contractual arrangements, which have since been terminated but which contain certain provisions that survive such termination. With respect to Dr. Yu, the board specifically considered the fact that Dr. Yu is a director of Semiconductor Manufacturing International Corporation, a customer of our company through one of our distributors. Our independent directors hold regularly scheduled meetings in executive session, at which only independent directors are present. The Chairman of the nominating and corporate governance committee, currently Mr. Frazee, serves as chairman of the meetings of the independent directors in executive session, and performs other responsibilities such as working with the Chairman of the board of directors to plan and set the agenda for meetings of the board of directors. 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 2007, our independent directors met in executive session five times. Since fiscal year end, our independent directors have met in executive session twice.

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 Messrs. Frazee, Fuller, and Wilkinson (Chairman), each of whom, during fiscal year 2007 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;

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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 B and is available on our website, 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. 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 C. 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 eight times during fiscal year 2007 and has met twice since fiscal year end with respect to the audit of our fiscal year 2007 financial statements and related matters. In fulfillment of the audit committee s responsibilities for fiscal year 2007, Mr. Wilkinson, the audit committee Chairman, reviewed our Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (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 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 his 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 and human resources staff do not make specific recommendations or 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., which reports directly to the committee. The consultant has been engaged to 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 members of the compensation committee are Messrs. Birgeneau, Fuller (Chairman), and Mooney, and Dr. Yu, each of whom was during fiscal year 2007 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. The compensation committee reviews and reassesses the adequacy of the compensation committee charter on an annual basis. The compensation committee met five times during fiscal year 2007 and has met three times since the fiscal year end with respect to 2007 annual bonuses, salary increases, stock option grants and restricted stock awards, and other matters.

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 directors, and attending to general corporate governance matters. The members of the nominating and corporate governance committee are Messrs. Frazee (Chairman), Fuller and Wilkinson, each of whom was during fiscal year 2007 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. 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 four times during fiscal year 2007 and has met once since fiscal year end. The nominating and corporate governance committee acted unanimously to recommend the nomination of the Class II 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.

In fiscal year 2007, we did not pay a fee to any third party to identify or evaluate potential director nominees; however, our directors play a critical role in guiding our strategic direction and overseeing the management of our company and accordingly, in the future we may pay a fee to a third party to identify or evaluate potential director nominees if the need arises.

Board candidates are selected based upon various criteria including their character, business experience and acumen. 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 and cultural diversity. 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.

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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, 2007.

Name	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)	Options Awards ($)(3)	Total ($)
Robert J. Birgeneau	56,000	9,470	183,600	249,070
John P. Frazee, Jr.	76,500	9,470	111,969	197,939
H. Laurance Fuller	84,000	9,470	111,969	205,439
Edward J. Mooney	56,000	9,470	183,600	249,070
Steven V. Wilkinson	88,000	9,470	111,969	209,439
Bailing Xia(1)	36,500	30,712	54,004	121,216
Albert Y. C. Yu	45,500	9,470	183,600	238,570

(1) Bailing Xia was elected to the Company s Board of Directors effective September 17, 2007. His initial term will expire at the Annual Meeting of Stockholders in 2008. In connection with Mr. Xia s election, the Board increased its size from seven to eight directors.

(2) Includes an annual retainer fee, committee and board meeting attendance fees, and, as applicable, committee chairperson annual retainer fees, each as discussed in more detail below. Dollar amounts are comprised as follows:

Name	Annual Retainer Fee	Aggregate Meeting Fees	Committee Chair Fee
Robert J. Birgeneau	$ 35,000	$ 21,000	
John P. Frazee, Jr.*	$ 35,000	$ 31,500	$ 10,000
H. Laurance Fuller**	$ 35,000	$ 39,000	$ 10,000
Edward J. Mooney	$ 35,000	$ 21,000	
Steven V. Wilkinson***	$ 35,000	$ 33,000	$ 20,000
Bailing Xia	$ 35,000	$ 1,500	
Albert Y. C. Yu	$ 35,000	$ 10,500	

* Nominating and corporate governance committee chairman

** Compensation committee chairman

*** Audit committee chairman

(3) The amounts in the column headed Stock Awards represent the dollar amount of equity compensation cost recognized for financial reporting purposes in fiscal year 2007, computed in accordance with Statement of Financial Accounting Standards No. 123(R), Share-Based Payment (SFAS 123R), excluding the impact of estimated forfeitures for service-based vesting conditions. For restricted stock awards, the fair value is calculated using the closing price of our common stock on the grant date. The actual value realized by a non-employee director 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 dollar amount of equity compensation cost recognized for financial reporting purposes in fiscal year 2007, computed in accordance with SFAS 123R, excluding the impact of estimated forfeitures for service-based vesting conditions. See Note 10 of Notes to Consolidated Financial Statements included in Item 8 of Part II of our Annual Report on Form 10-K for fiscal

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year 2007 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 grant date fair market value, computed in accordance with SFAS 123R, of each Stock Award to our non-employee directors during fiscal year 2007 is as follows:

Name	Grant Date	Fiscal Year 2007 Expense ($)	Grant Date Fair Value of Stock Awards Granted in Fiscal Year 2007 ($)
Mr. Birgeneau	3/6/07	9,470	64,940
Mr. Frazee	3/6/07	9,470	64,940
Mr. Fuller	3/6/07	9,470	64,940
Mr. Mooney	3/6/07	9,470	64,940
Mr. Wilkinson	3/6/07	9,470	64,940
Mr. Xia	9/17/07	28,932	106,825
	9/17/07	1,780	85,460
Dr. Yu	3/6/07	9,470	64,940

The grant date fair market value, computed in accordance with SFAS 123R, of each Option Award to our non-employee directors during fiscal year 2007 is as follows:

Name	Grant Date	Fiscal Year 2007 Expense ($)	Grant Date Fair Value of Option Awards Granted in Fiscal Year 2007 ($)
Mr. Birgeneau	3/6/07	16,357	112,160
Mr. Frazee	3/6/07	16,357	112,160
Mr. Fuller	3/6/07	16,357	112,160
Mr. Mooney	3/6/07	16,357	112,160
Mr. Wilkinson	3/6/07	16,357	112,160
Mr. Xia	9/17/07	50,946	183,458
	9/17/07	3,058	146,766
Dr. Yu	3/6/07	16,357	112,160

During fiscal year 2007, no awards to any of our non-employee directors were adjusted, modified or cancelled (forfeited).

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 2007 are, as follows:

	Aggregate Number of Awards Outstanding as of September 30, 2007	
Name	**Stock Awards**	**Option Awards**
Mr. Birgeneau	2,000	41,000
Mr. Frazee	2,000	58,500
Mr. Fuller	2,000	66,000
Mr. Mooney	2,000	41,000
Mr. Wilkinson	2,000	58,500
Mr. Xia	3,875	13,500
Dr. Yu	2,000	22,250

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A director who is also our employee receives no additional compensation for his services as a director. On March 5, 2007, our board of directors approved a compensation program for the Company s non-employee directors that revised the equity incentive elements of the program to match similar revisions made to the equity incentive program elements for our employees, including our executive officers. Effective March 5, 2007, non-employee directors are eligible for the following compensation:

Description of Director Compensation		Amount
Annual Retainer Fee, as of the effective date of appointment, and subsequently, at the time of our annual meeting	$	35,000
Committee and Board Meeting Fees, for attendance at each meeting of the board and committee of the board	$	1,500
Committee Chair Annual Retainer Fees:		
Audit committee chairperson	$	20,000
Compensation committee chairperson	$	10,000
Nominating and corporate governance committee chairperson	$	10,000
Annual Non-qualified Stock Option Grant, which vests over a four year period, at the effective date of appointment, and subsequently, at the time of our annual meeting		6,000 options
Annual Restricted Stock Award		2,000 shares
Initial Non-qualified Stock Option Grant, which vests over a three year period, at the effective date of appointment to the board		7,500 options
Initial Restricted Stock Award		2,500 shares

Prior to March 5, 2007, the Company awarded annual grants of 10,000 non-qualified stock options and initial grants of 15,000 non-qualified stock options. The Company did not award restricted stock. The equity incentive element changes reflect a desire to align the Company s equity awards for non-employee directors with the Company s revised equity incentive program for employees, including executive officers. The revised equity awards reflect an approximate three-to-one ratio of non-qualified stock options to shares of restricted stock, which is consistent with the changes to the annual equity incentive award program for employees. The revisions to the annual equity awards also effectively increase the annual equity incentive award to each non-employee director from an equivalent of 10,000 non-qualified stock options to an equivalent of 12,000 non-qualified stock options. The initial equity incentive award for a non-employee director remains an equivalent of 15,000 non-qualified stock options. Our non-employee directors received an aggregate of 49,500 stock options and 16,500 shares of restricted stock in fiscal year 2007.

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 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 26, 2006, which 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 29, 2006. Non-employee directors continue to receive their respective annual retainer fees, committee chair annual retainer fees and annual non-qualified stock option grants at the time of our annual meeting, or upon the effective date of a director s original election to the board of directors, if other than the annual meeting date. 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. As of January 1, 2008, Messrs. Frazee and Wilkinson have 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

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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 15, 2008, an aggregate of approximately $1,306,290 of directors compensation was deferred under the plan, and as of September 30, 2007, the amount was $1,271,790. The American Jobs Creation Act, a law containing provisions affecting deferred compensation plans, was enacted in 2004 with an effective date of January, 2005. We believe we are currently operating in compliance with the new law and plan to amend the Directors Deferred Compensation Plan to the extent necessary to comply with such law pursuant to, and according to the December 31, 2008 time frame established by, relevant United States Department of the Treasury guidance.

Compensation Committee Interlocks and Insider Participation

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

FEES OF INDEPENDENT AUDITORS AND AUDIT COMMITTEE REPORT

Fees Billed by Independent Auditors

During fiscal years 2006 and 2007, 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 C and also is available on our web-site, 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, 2007, and September 30, 2006, and fees billed for other services rendered by PricewaterhouseCoopers LLP during those periods.

Fees	Fiscal Year Ended September 30, 2007($)	Fiscal Year Ended September 30, 2006($)
Audit Fees(1)	1,030,996	1,085,434
Audit-Related Fees(2)	0	40,345
Tax Fees(3)	246,352	243,978
All Other Fees(4)	3,000	13,000
Total	1,280,348	1,382,757

(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 year 2006, the only Audit-Related Services that PricewaterhouseCoopers LLP performed were services for the audit of our 401(k) plan. For fiscal year 2007, PricewaterhouseCoopers LLP did not render any Audit-Related Services to us, and another auditing firm performed the audit of our 401(k) plan.

(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 2007, \$106,022 out of the total \$246,352 for Tax Fees was for tax compliance services. For fiscal year 2006, \$104,195 out of the total \$243,978 for Tax Fees was for tax compliance services.

(4) All Other Fees include fees for fiscal year 2007 for access to on-line accounting research software tools, and for fiscal year 2006 for access to on-line accounting and human resources research software tools.

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 B and is available on our website, 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 2007 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 Independence Standards Board Standard No. 1 (Independence Discussions With Audit Committees) 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.

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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, 2007.

Respectfully submitted by the audit committee,

John P. Frazee, Jr.
H. Laurance Fuller
Steven V. Wilkinson, Chairman

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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 2007. The individuals listed include our chief executive officer, chief financial officer and our three other most highly compensated executive officers based on total compensation.

Name	Title
William P. Noglows	Chairman of the Board, President and Chief Executive Officer
William S. Johnson	Vice President and Chief Financial Officer
Adam F. Weisman	Vice President, Business Operations
Clifford L. Spiro	Vice President, Research and Development
H. Carol Bernstein	Vice President, Secretary and General Counsel

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, and determining awards under and administering the 2000 Equity 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 2007, 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 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, and makes recommendations with respect to their compensation to our compensation committee, 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 his 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 as directed by the compensation committee. Our chief financial officer and human resources staff do not make specific recommendations or decisions regarding the amount of compensation for our named executive officers or other executive officers.

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 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 ESPP, 401(k) Plan and 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 agreements with Mr. Noglows and Dr. Spiro, 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. 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.

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 chemical mechanical planarization (CMP) slurries and pads are not stand-alone publicly-traded entities, and 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, as well as companies that have similar revenue levels, market capitalizations, employment levels and geographic presence. While the compensation committee may change the composition of this group from time-to-time based on changes in our or others business, in fiscal year 2007, this group was comprised of the following companies:

Aeroflex Inc.
AMI Semiconductor, Inc.
ATMI, Inc.
Axcelis Technologies, Inc.
Brooks Automation, Inc.
Cree, Inc.
Cymer, Inc.
Entegris, Inc.
Integrated Device Technology, Inc.
MacDermid, Incorporated
Mattson Technology, Inc.
Photronics, Inc.
PMC Sierra, Inc.
QLogic Corporation
RF Micro Devices, Inc.
Semtech Corporation
Triquint Semiconductor, Inc.
Varian Semiconductor Equipment Associates, Inc.
Veeco Instruments, Inc.

In evaluating this comparison group for compensation purposes, the compensation committee, in consultation with outside compensation consultants hired by the committee, currently W.T. Haigh & Company, Inc., 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^{th} to 75^{th} percentile for comparable positions within the comparison group. However, a direct correlation may not always exist between the roles and responsibilities 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.

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:

Element	Description	Reason Provided
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 (if provided, usually effective on January 1 of the next calendar year) based on performance and market comparisons.
Annual Cash Bonuses (Annual Incentive Program)	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 (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 pursuant to a Change in Control of our company (three years 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.

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 impacting 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. Following fiscal year 2006 and upon review of each executive officer s performance in the fiscal year and compensation, the compensation committee, in considering merit salary increases to be effective January 1, 2007 for the calendar year, decided to retain the 2006 base salaries without an increase for all of our named executive officers except Mr. Weisman, because the compensation committee decided to decrease our executive officers base salary towards the 50th percentile of the salary ranges of similarly positioned executive officers in the comparison group of companies, and shift slightly the compensation emphasis to the solely performance-related elements of bonus and equity incentive awards. Consequently, 2007 base salaries of our named executive officers remained at their 2006 levels, except with respect to Mr. Weisman whose base salary was increased by 5.3% to reflect the expansion of his responsibilities in his role of Vice President, Business Operations, which he assumed in September 2006 at the end of the fiscal year. Following fiscal year 2007 and upon review of each executive officer s performance in the fiscal year and compensation, the compensation committee, in considering merit salary increases to be effective January 1, 2008 for the calendar year, increased our named executive officers base salaries in the range of 4% to 6.75% to remain competitive within our peer group. The resulting base salaries for 2008, and the 2007 base salaries, are as follows:

Name	**2008 Base Salary**	**2007 Base Salary**
William P. Noglows	$ 545,000	$ 520,000
William S. Johnson	$ 332,800	$ 320,000
Adam F. Weisman	$ 312,000	$ 300,000
Clifford L. Spiro	$ 298,900	$ 280,000
H. Carol Bernstein	$ 303,800	$ 290,000

Annual Cash Bonuses. All of the company s employees are eligible to participate in the company s cash bonus program, which is called our Annual Incentive Program, 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 these annually-established goals. The compensation committee believes that a cash bonus program allows us to communicate specific goals that are of primary importance during each 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, 2006, the board of directors and compensation committee approved our Fiscal Year 2007 Company Performance Objectives. From these Company Performance Objectives, we select, upon approval of the compensation committee, a few of the most significant that all employees at our company influence to serve as our Corporate Performance Goals. The other Company Performance Objectives serve as functional goals of special focus to particular functions or business teams in our company; in this regard, our executive officers have certain Leadership Team Goals that are selected from the functional measures and approved by the compensation committee. As in prior years, the fiscal year 2007 Leadership Team Goals were chosen to encourage a particular and enhanced focus on certain aspects of our company s business strategy and objectives for which all of our executive officers and other Leadership Team members collectively have responsibility for influencing and driving.

Our Fiscal Year 2007 Company Performance Objectives, Corporate Performance Goals, Functional/Business Team Goals, and Leadership Team Goals, with corresponding Measures for evaluating attainment of such, were as follows:

Fiscal Year 2007 Company Performance Objectives:

Fiscal Year 2007 Corporate Performance Goals (with corresponding Measures):

Earnings Per Share (Earnings Per Share);

Revenue Objectives (Revenue);

Gross Margin (Gross Profit Margin as a percentage of revenue); and,

Customer Satisfaction (Scores on Customer Scorecards).

Fiscal Year 2007 Functional and Business Team Goals (with corresponding Measures):

Productivity Improvement for Core Products (Cost of Goods Sold as a percentage of Revenue);

Securing New Opportunities (Number of design/business wins at certain customers);

Product Quality Improvement (Statistical quality measures);

New Product Introductions (Number of New Product Introductions);

Customer Return Rate (Percentage of sales in gallons);

QED Acquisition Integration (QED Revenue/milestone achievements per integration plan);

Quality Culture Enhancement (Score on Standardized Supplier Quality Award (SSQA)); and,

Engineered Surface Finishes (ESF) Growth (ESF Revenue/Gross Margin).

Fiscal Year 2007 Leadership Team Goals (with corresponding Measures):

One Particular CMP Application Business Growth (Revenue and design/business wins);

Another Particular CMP Application Business Growth (Revenue and design/business wins);

Engineered Surface Finishes (ESF) Growth (ESF Revenue/Gross Margin); and,

SSQA (SSQA score).

Performance Goals, Bonus Pool and Bonus Calculation: As in prior years, in fiscal year 2007, achievement of the noted four Fiscal Year 2007 Corporate Performance Goals and particular Functional and Business Team Goals that correspond to an individual s function or business team within our company 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 (our executive officers functional goals were the noted Fiscal Year 2007 Leadership Team Goals).

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. As part of our senior management s periodic review throughout the year of our progress in meeting our Company Performance Objectives, Corporate Performance Goals, and Functional and Business Team Goals with the compensation committee and board of directors, performance is discussed against a particular goal s threshold , target and stretch levels.

The specific threshold, target, and stretch metrics related to the Corporate, Functional and Business Team, and Leadership Team Performance Goals noted above are omitted from this discussion because disclosure of

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such metrics would result in competitive harm to the company because these metrics reflect our specific business strategies, financial objectives, and proprietary product development, manufacturing, and marketing plans. We are the global leader in CMP slurries, and developing complementary businesses both within and outside of the CMP consumables market, and our direct competitors in our core business of developing, manufacturing, and selling CMP slurries and pads, aggressively follow and seek the competitive details of our business. Our direct competitors are comprised of United States as well as foreign entities. In addition, our competitors are not stand-alone publicly-traded entities; rather, they are either privately-held entities or divisions or functions within divisions of large publicly-held companies. Thus, these competitors are not subject to the same public company disclosure requirements and disclosure of the specific metrics related to our Corporate and Leadership Team Goals would place the company at a relative competitive disadvantage.

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 2007, 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 band 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 achievement of the Corporate and Functional and Business Team Performance Goals that relate to the functional group or business team in which the employee works (expressed as a percentage of the particular target level of performance); and

iii) multiplied 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.

In addition, for fiscal year 2007, 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 considered our company s achievement of additional performance factors that the committee considered important in evaluating the company s performance for fiscal year 2007, but that were not able to be known to the company at the time the Fiscal Year 2007 Corporate Performance Goals and Functional and Business Team (Leadership Team) Goals were established. These Additional Performance Factors were: the company s financial performance, both in light of overall industry economic factors as well as versus peer companies; implementation and completion of a corporate strategy assessment project; progress on the manufacturing and adoption aspects of a particular CMP application; implementation and achievement of certain productivity initiatives; and the receipt of certain customer quality awards.

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 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 bonus award targets 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 2007 the compensation committee increased the bonus award target for each named executive officer from each individual s previous bonus award target: Mr. Noglows was increased to 90 percent of his base salary from 75 percent, Messrs. Johnson s,

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Weisman s, and Spiro s from 50 percent to 65 percent, and Ms. Bernstein s from 50 percent to 55 percent. The bonus award targets and actual amounts earned for our named executive officers for fiscal year 2007 were as follows:

Name	Bonus Target (as % of Base Salary)	Bonus Target ($) (Calculated According to Base Salary Earned in Fiscal Year 2007)	Actual Bonus Earned* ($)
William P. Noglows	90%	$ 468,000	$ 470,000
William S. Johnson	65%	$ 208,000	$ 234,400**
Adam F. Weisman	65%	$ 192,563	$ 167,500
Clifford L. Spiro	65%	$ 182,000	$ 156,400
H. Carol Bernstein	55%	$ 159,500	$ 184,100**

* 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 72 percent had been achieved. In assessing each named executive officer s individual performance for fiscal year 2007, and for purposes of the multiplier described above, the compensation committee decided upon factors of approximately 1.20-1.45.

** As with certain of our employees and other executive officers who contributed directly to a particular strategy assessment project in fiscal year 2007, Mr. Johnson s and Ms. Bernstein s amounts include respective sums approved by the compensation committee to reflect their work on this initiative; without this additional recognition, the actual bonus earned by each would have approximated that of their respective bonus target percentages.

<u>Fiscal Year 2008 Performance Management Program and Performance Goals.</u> In November, 2007, the compensation committee and board of directors set our Fiscal Year 2008 Performance Goals for purposes of our Fiscal Year 2008 Annual Incentive Program, generally using the process described above. These performance goals are: financial goals that include earnings per share, gross margin as a percentage of revenue, various revenue objectives, a cash flow measure; quality and customer satisfaction goals, and various growth objectives. For fiscal year 2008, in order to recognize and encourage the cross-functional and interdependent nature of all of the functions of our company, the functional group and business team component of the bonus calculation has been eliminated.

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. All of the company s employees are eligible to participate in our 2000 Equity Incentive Plan, with executive officer, including named executive officer, awards pursuant to it, if any, 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 consultants, 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. In addition to all other forms of equity-based compensation and non-equity-based compensation, 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

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compensation committee. Our stock option grant practice consistently has been that the exercise price for stock option grants for all of our stock option grants, including those to our executive officers, is the fair market value, as represented by the closing price, 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, 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 six annual cycles has been that the one grant date for grants made to all employees, including all of our executive officers, occurs within the week of the compensation committee s meeting (usually late November or early December) 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 annual cash bonuses, base salary increases, 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: Prior to our fiscal year 2007 awards and grants that the compensation committee made on December 1, 2006, as part of our annual equity incentive award program, our compensation committee had awarded only non-qualified stock option grants pursuant to our annual grant program. As permitted by the 2000 Equity Incentive Plan, on December 1, 2006, our compensation committee decided to award a blend of non-qualified stock option grants and restricted stock awards (restricted stock units for our non-United States employees) to all employees who were receiving awards on December 1, 2006, 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 made this decision primarily to address the financial impact of the expensing of equity-based compensation now required pursuant to a new accounting standard issued by the Financial Accounting Standards Board (SFAS 123R) that became applicable to us as of October 1, 2005, as well as to more competitively balance the types of equity incentives being awarded to our employees pursuant to the 2000 Equity Incentive Plan. In addition, for our fiscal year 2008 annual equity incentive award program grant, which occurred on November 30, 2007, we continued to provide this combination of restricted stock and stock option awards for our employees, including our named executive officers. For more information regarding these awards, see Footnote no. 2 to the Grants of Plan-Based Awards table.

Size of Awards: When determining awards under the 2000 Equity Incentive Plan, the compensation committee considers the company s and executive officer s performance in the prior year, the executive officer s levels of responsibility, prior experience and years of service, historical award data and compensation practices at the comparison group of companies. In determining award sizes, the compensation committee does not assign specific weights to these factors. Rather, the factors are evaluated on an aggregate basis. For example, for our fiscal year 2007 annual equity incentive awards, which occurred on December 1, 2006, we reduced the overall units to be awarded to our employees, including our named executive officers and other executive officers, receiving such awards, relative to the fiscal year 2006 grants generally in order to reduce our overall equity award run rate, manage the financial impact of the expensing of equity-based compensation pursuant to SFAS 123R, and make our awards more consistent in number with those of peer companies, and then delivered the award in a combination of restricted stock and stock options using the aforementioned three-to-one ratio, as illustrated by the following table:

Name	Fiscal Year 2006 Non-Qualified Stock Option Grant	Fiscal Year 2007 Non-Qualified Stock Option Grant	Fiscal Year 2007 Restricted Stock Award
William P. Noglows	125,000	57,500	19,200
William S. Johnson	60,000	26,000	8,700
Adam F. Weisman	60,000	28,500	9,500
Clifford L. Spiro	70,000	28,500	9,500
H. Carol Bernstein	58,000	26,000	8,700

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 elements of compensation. However, in considering awards under the 2000 Equity 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.

Change in Control Severance Benefits. The terms and conditions of the change in control severance protection agreements with our named executive officers and the employment agreements with Mr. Noglows and Dr. Spiro 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 compensation consultants 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 approximately every three years, most recently in June 2007. As a result of this review, the board of directors and compensation committee, with advice from the committee s compensation consultant regarding market practices, determined that the cost to the company and the competitiveness of such agreements remain reasonable and appropriate. The American Jobs Creation Act, a law containing provisions affecting deferred compensation plans, was enacted in 2004 with an effective date of January, 2005. We believe we are currently operating in compliance with the new law and plan to amend the change in control severance protection agreements with our executive officers and other key employees to the extent necessary to comply with such law pursuant to, and according to the December 31, 2008 time frame established by, relevant United States Department of the Treasury guidance.

Retirement and Other Benefits. We have adopted various employee benefit plans and arrangements for the purpose of providing compensation and 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

2000 Equity Incentive Plan, Employee Stock Purchase Plan, the 401(k) Plan, and the Supplemental Plan.

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, 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 2007, the compensation committee, in consultation with the outside compensation consultant hired by the committee, 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 2007, 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 favorable review of his overall performance in leading the company and a desire to keep his compensation competitive within our peer group and equitable and consistent compared to our other executive officers. In addition to these factors, Mr. Noglows cash bonus award for fiscal year 2007, reflected the company s performance against certain financial and other objectives in fiscal year 2007, and the aspects of the overall pre-established goals for fiscal year 2007 that were met, as assessed by the compensation committee, using its discretion. These goals are described in greater detail above. Based upon all of these criteria, which included the compensation committee s assessment of the company s and Mr. Noglows enhanced performance in various respects in fiscal year 2007 as compared with fiscal year 2006, the compensation committee awarded Mr. Noglows $470,000 as a cash bonus for fiscal year 2007, which together with his $520,000 annual base salary paid during fiscal year 2007, resulted in total cash compensation to Mr. Noglows for fiscal year 2007 of $990,000; this was $107,600 more than the $882,400 in total cash compensation that Mr. Noglows received for fiscal year 2006. The committee also decided to increase Mr. Noglows base salary to $545,000 for 2008 consistent with its review with the committee s outside compensation consultant of salary compensation information for peer company chief executive officers, the committee s review of Mr. Noglows performance for fiscal year 2007, and its decision to increase the base salaries of the other named executive officers from their fiscal year 2007 levels. In addition, as noted above and as reported in Footnote no. 2 to the Grants of Plan-Based Awards table that follows, on November 30, 2007, the compensation committee awarded Mr. Noglows equity-based compensation in the form of: (i) non-qualified stock options to purchase an aggregate of 54,000 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 November 30, 2017, at an exercise price of $37.40, which was the closing price of our stock on the grant date; and (ii) 18,000 shares of restricted stock with a fair market value based on the closing price of our stock on the award date of $37.40 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 2007, 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.

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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 executives of various payments and benefits. 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 of 1986, as amended. The compensation committee will consider various alternatives to preserving the deductibility of compensation payments and benefits to the extent reasonably practicable and to the extent consistent with its other compensation objectives. At our annual meeting of stockholders held in March 2004, our 2000 Equity Incentive Plan was submitted to our stockholders for approval, and our stockholders approved the plan. The 2000 Equity Incentive Plan s predecessor plan, the Amended and Restated Cabot Microelectronics Corporation 2000 Equity Incentive Plan, previously had been approved by our stockholders in March 2001. The 2000 Equity Incentive Plan is intended to qualify certain compensation awarded under that plan for tax deductibility under Section 162(m).

Other Factors. As described above, our compensation committee began the use of awards of restricted stock in addition to grants of non-qualified stock options primarily to address the financial impact of the expensing of equity-based compensation required under SFAS 123R. 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 operational compliance with such requirements.

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, 2007.

Submitted by the compensation committee,

Robert J. Birgeneau
H. Laurance Fuller, Chairman
Edward J. Mooney
Albert Y.C. Yu

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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, 2007.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)(3)	Option Awards ($)(3)	All Other Compen- sation ($)(4)	Total Compen- sation ($)
William P. Noglows President and Chief Executive Officer	2007	520,000	470,000	154,049	2,197,517	62,075	3,403,641
William S. Johnson	2007						