

# CABOT CORP (CBT)

## 10-K

Annual report pursuant to section 13 and 15(d)

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Form 10-K

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2011

or

- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from

to

Commission file number 1-5667

### Cabot Corporation

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

Two Seaport Lane, Suite 1300

Boston, Massachusetts

(Address of Principal Executive Offices)

04-2271897

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

02210

(Zip Code)

(617) 345-0100

(Registrant's telephone number, including area code)

#### Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, \$1.00 par value per share	New York Stock Exchange

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of the last business day of the Registrant's most recently completed second fiscal quarter (March 31, 2011), the aggregate market value of the Registrant's common stock held by non-affiliates was \$3,010,984,478. As of November 15, 2011, there were 63,904,198 shares of the Registrant's common stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its 2012 Annual Meeting of Shareholders are incorporated by reference into Part III of this annual report on Form 10-K.

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**Information Relating to Forward-Looking Statements**

This annual report on Form 10-K contains "forward-looking statements" under the Federal securities laws. These forward-looking statements include statements relating to our future business performance and overall prospects; demand for our products; when we expect the sale of our Supermetals Business to close; when we expect commissioning of the rubber blacks facility in Hebei Province, China we are constructing with our joint venture partner to occur; when we expect additional capacity at our rubber blacks operations in Argentina and Brazil to become available; when we expect commissioning to occur of the fumed silica manufacturing operations we are expanding in Jiangxi Province, China with our joint venture partner; when we expect our fumed silica capacity expansion plans in Barry, Wales to be completed; when we expect additional capacity at our Inkjet facility in Haverhill, Massachusetts to be available; our expectations regarding the life of our pollucite ore reserves; the anticipated effect of the time lag in price adjustments that remain in certain of our carbon black supply contracts; the sufficiency of our cash on hand, cash provided from operations and cash available under our credit facilities to fund our cash requirements; anticipated capital spending, including environmental-related capital expenditures; cash requirements and uses of available cash, including future cash outlays associated with long-term contractual obligations, restructurings, contributions to employee benefit plans, environmental remediation costs and future respirator liabilities; exposure to interest rate and foreign exchange risk; future benefit plan payments we expect to make; our expected tax rate for fiscal 2012; our ability to recover deferred tax assets; and the possible outcome of legal proceedings. From time to time, we also provide forward-looking statements in other materials we release to the public and in oral statements made by authorized officers.

Forward-looking statements are based on our current expectations, assumptions, estimates and projections about Cabot's businesses and strategies, market trends and conditions, economic conditions and other factors. These statements are not guarantees of future performance and are subject to risks, uncertainties, potentially inaccurate assumptions, and other factors, some of which are beyond our control and difficult to predict. If known or unknown risks materialize, or should underlying assumptions prove inaccurate, our actual results could differ materially from past results and from those expressed in the forward-looking statements. Important factors that could cause our actual results to differ materially from those expressed in our forward-looking statements are described in Item 1A in this report.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Investors are advised, however, to consult any further disclosures we make on related subjects in our 10-Q and 8-K reports filed with the Securities and Exchange Commission (the "SEC").

**PART I**

**Item 1.        *Business***

**General**

Cabot is a global specialty chemicals and performance materials company headquartered in Boston, Massachusetts. Our principal products are rubber and specialty grade carbon blacks, fumed metal oxides, inkjet colorants, aerogels and cesium formate drilling fluids. Cabot and its affiliates have manufacturing facilities and operations in the United States and approximately 20 other countries. Cabot's business was founded in 1882 and incorporated in the State of Delaware in 1960. The terms "Cabot", "Company", "we", and "our" as used in this report refer to Cabot Corporation and its consolidated subsidiaries.

Our strategy is to deliver earnings growth through leadership in performance materials. We intend to achieve this goal by focusing on margin improvement, capacity expansion and emerging market growth, developing new products and businesses and actively managing our portfolio of businesses.

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Our products are generally based on technical expertise and innovation in one or more of our three core competencies: making and handling very fine particles; modifying the surfaces of very fine particles to alter their functionality; and designing particles to impart specific properties to a composite. We focus on creating particles with the composition, morphology, surface functionalities and formulations to support our customers' existing and emerging applications.

We are organized into four business segments: the Core Segment; the Performance Segment; the New Business Segment; and the Specialty Fluids Segment. For operational purposes, we are also organized into three geographic regions: The Americas; Europe, Middle East and Africa; and Asia Pacific. The business segments are discussed in more detail later in this section. Financial information about our business segments appears in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 below ("MD&A") and in Note V of the Notes to our Consolidated Financial Statements in Item 8 below ("Note V"). Financial information about our sales and long-lived assets in certain geographic areas appears in Note V. Our internet address is [www.cabot-corp.com](http://www.cabot-corp.com). We make available free of charge on or through our internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC.

## **Discontinued Operations**

### **Supermetals Business**

During fiscal 2011, we entered into an agreement to sell our Supermetals Business to Global Advanced Metals Pty Ltd. ("GAM") for a minimum of approximately \$400 million in total cash consideration. The transaction is subject to regulatory approval and other customary closing conditions and is expected to close by the end of calendar year 2011. Results of operations for the Supermetals Business are reported as a discontinued operation for fiscal 2011 and for all prior periods presented.

The Supermetals Business produces tantalum, niobium (columbium) and their alloys. Tantalum, which accounts for substantially all of this Business's sales, is produced in various forms. Electronics is the largest application for tantalum powder, which is used to make capacitors for computers, networking devices, wireless phones, electronics for automobiles and other devices. Tantalum, niobium and their alloys are also produced in wrought form for applications such as the production of superalloys and chemical process equipment and for various other industrial and aerospace applications, including fiber optic filters, sodium vapor lamps, turbine blades and aerospace propulsion systems. In addition, the Supermetals Business sells the starting metals (high-purity grade tantalum powders, plates and ingots) used to manufacture finished tantalum sputtering targets used in thin film applications, including semiconductors, inkjet heads, magnetics and flat panel displays. The Business has manufacturing facilities in Boyertown, Pennsylvania and Kawahigashi-machi, Japan.

Tantalum ore is the principal raw material used in this Business. The Business has not purchased or sourced any material containing tantalum, including coltan, from the Democratic Republic of the Congo. An independent audit conducted by a third party auditor assigned by the Electronics Industry Citizenship Coalition and Global e-Sustainability Initiative (as part of the Conflict-Free Smelter Validation Program) confirmed that our tantalum supply chain is free of conflict minerals. As part of the audit, we demonstrated that we have a documented conflict minerals policy, a mechanism in place for tracing material back to the mine of origin, and documentation demonstrating that 100% of purchased materials are from non-conflict sources.

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### **Core Segment**

#### **Rubber Blacks Business**

##### ***Products***

Carbon black is a form of elemental carbon that is manufactured in a highly controlled process to produce particles and aggregates of varied structure and surface chemistry, resulting in many different performance characteristics for a wide variety of applications. Rubber grade carbon blacks are used to enhance the physical properties of the systems and applications in which they are incorporated.

Our rubber blacks products are used in tires and industrial products. Rubber blacks have traditionally been used in the tire industry as a rubber reinforcing agent and are also used as a performance additive. In industrial products such as hoses, belts, extruded profiles and molded goods, rubber blacks are used to improve the physical performance of the product.

##### ***Sales and Customers***

Sales of rubber blacks products are made by Cabot employees and through distributors and sales representatives. Sales to three major tire customers represent a material portion of the Rubber Blacks Business's total net sales and operating revenues. The loss of any of these customers could have a material adverse effect on the Rubber Blacks Business.

Under appropriate circumstances, we have entered into supply contracts with certain customers, many of which have durations of at least one year. Many of these contracts provide for sales price adjustments to account for changes in relevant feedstock indices and, in some cases, changes in other relevant costs (such as the cost of natural gas). In fiscal 2011, approximately half of our rubber blacks volume was sold under supply contracts in effect during the fiscal year. The majority of the volumes sold under these contracts are sold to customers in North America and Western Europe.

Much of the rubber blacks we sell is used in automotive products and, therefore, our financial results may be affected by the cyclical nature of the automotive industry. However, a large portion of the market for our products is in replacement tires that historically have been less subject to automotive industry cycles.

##### ***Competition***

We are one of the leading manufacturers of carbon black in the world. We compete in the manufacture of carbon black primarily with three companies with a global presence and a significant number of other companies which have a regional presence. Competition for products within the Rubber Blacks Business is based on product performance, quality, reliability, service, technical innovation, price, and logistics. We believe our technological leadership, global manufacturing presence, operations and logistics excellence and customer service provide us with a competitive advantage.

##### ***Raw Materials***

The principal raw material used in the manufacture of carbon black is a portion of the residual heavy oils derived from petroleum refining operations and from the distillation of coal tars and the production of ethylene throughout the world. Natural gas is also used in the production of carbon black. Raw material costs generally are influenced by the availability of various types of carbon black feedstock and natural gas, and related transportation costs. Importantly, movements in the market price for crude oil typically affect carbon black feedstock costs.

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### ***Operations***

We own, or have a controlling interest in, and operate plants that produce rubber blacks in Argentina, Brazil, Canada, China, Colombia, the Czech Republic, France, Indonesia, Italy, Japan, Malaysia, The Netherlands, and the United States. Our equity affiliates operate carbon black plants in Mexico and Venezuela. The following table shows our ownership interest as of September 30, 2011 in rubber blacks operations in which we own less than 100%:

<b>Location</b>	<b>Percentage Interest</b>
Shanghai, China	70% (consolidated subsidiary)
Tianjin, China	70% (consolidated subsidiary)
Xingtai City, China	60% (consolidated subsidiary)
Valasske Mezirici (Valmez), Czech Republic	52% (consolidated subsidiary)
Cilegon and Merak, Indonesia	85% (consolidated subsidiary)
Port Dickson, Malaysia	51% (consolidated subsidiary)
Tampico, Mexico	40% (equity affiliate)
Valencia, Venezuela	49% (equity affiliate)

We continue to expand the manufacturing capacity of our Rubber Blacks Business in emerging markets. In fiscal 2009, we completed construction of and began operating two additional rubber blacks production units at our carbon black plant in Tianjin, China, increasing our capacity at that facility by 150,000 metric tons. During fiscal 2010 and 2011 we announced plans to expand capacity at our rubber blacks facilities in Indonesia, increasing our overall capacity in Indonesia by approximately 50%. In addition, during fiscal 2011, we began projects at our rubber blacks facilities in Argentina and Brazil, which will increase our total rubber blacks capacity in South America over the next three years by approximately 20%. Finally, we entered into a joint venture with Risun Chemicals Company, Ltd. for the construction and operation of a rubber blacks manufacturing facility in Xingtai City, Hebei Province, China. The facility will produce approximately 130,000 metric tons of carbon black annually, with the potential to expand annual capacity to 300,000 metric tons. We expect commissioning of this facility in calendar year 2013.

We also plan to add additional rubber blacks capacity at our existing plants in Europe, increasing our rubber blacks capacity in Europe by approximately 10%.

As part of our 2009 global restructuring plan, over the course of fiscal 2009 and 2010 we closed our manufacturing operations in Stanlow, U.K., and in Berre, France. In fiscal 2010, we also closed our manufacturing operations in Thane, India following a broad reaching analysis of our manufacturing assets, including their cost structure, ability to expand and a variety of other factors.

### **Performance Segment**

The Performance Segment is comprised of two product lines: specialty grades of carbon black and thermoplastic concentrates (referred to together as "performance products"); and fumed silica, fumed alumina and dispersions thereof (referred to together as "fumed metal oxides"). In each product line, we design, manufacture and sell materials that deliver performance in a broad range of customer applications across the automotive, construction and infrastructure, and electronics and consumer products sectors.

### ***Products***

Carbon black is a form of elemental carbon that is manufactured in a highly controlled process to produce particles and aggregates of varied structure and surface chemistry, resulting in many different performance characteristics for a wide variety of applications. Our specialty grades of carbon black are used to impart color, provide rheology control, enhance conductivity and static charge control, provide UV protection, enhance mechanical properties, and provide chemical flexibility through surface treatment. These products are used in a wide variety of applications, such as inks, coatings, cables, pipes, toners and

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electronics. In addition, we manufacture and source thermoplastic concentrates and compounds (which we refer to as "masterbatch products") that are marketed to the plastics industry.

Fumed silica is an ultra-fine, high-purity particle used as a reinforcing, thickening, abrasive, thixotropic, suspending or anti-caking agent in a wide variety of products produced for the automotive, construction, microelectronics, and consumer products industries. These products include adhesives, sealants, cosmetics, inks, toners, silicone rubber, coatings, polishing slurries and pharmaceuticals. Fumed alumina, also an ultra-fine, high-purity particle, is used as an abrasive, absorbent or barrier agent in a variety of products, such as inkjet media, lighting, coatings, cosmetics and polishing slurries.

### ***Sales and Customers***

Sales of these products are made by Cabot employees and through distributors and sales representatives. Under appropriate circumstances, we have entered into long-term supply arrangements (those with an initial term longer than one year) with certain customers for sales of our products. In fiscal 2011, sales under these contracts accounted for approximately 15% of the Performance Segment's revenue. For the performance products line of business, these contracts are with a broad number of customers. In contrast, sales under long-term contracts with two customers account for a substantial portion of the revenue of the fumed metal oxides line of business. The majority of volume sold under long-term contracts in the Performance Segment is sold to customers located in North America and Western Europe.

### ***Competition***

We are one of the leading manufacturers of carbon black in the world. We compete in the manufacture of carbon black primarily with three companies with a global presence and a significant number of other companies which have a regional presence. We are also a leading producer of masterbatch products in Europe, the Middle East and Asia. We are a leading producer and seller of fumed silica and compete primarily with three companies with a global presence and at least four other companies which have a regional presence.

Competition for these products is based on product performance, quality, reliability, service, technical innovation and price. We believe our technological leadership, global manufacturing presence, operations excellence and customer service provide us with a competitive advantage.

### ***Raw Materials***

The principal raw material used in the manufacture of carbon black is a portion of the residual heavy oils derived from petroleum refining operations and from the distillation of coal tars and the production of ethylene throughout the world. Natural gas is also used in the production of carbon black. Raw material costs generally are influenced by the availability of various types of carbon black feedstock and natural gas, and related transportation costs. Importantly, movements in the market price for crude oil typically affect carbon black feedstock costs.

Other than carbon black feedstock, the primary materials used for our masterbatch products are thermoplastic resins and mineral fillers. Raw materials for these concentrates are, in general, readily available.

Raw materials for the production of fumed silica are various chlorosilane feedstocks. We purchase feedstocks and for some customers convert their feedstock to product on a fee-basis (so called "toll conversion"). We also purchase aluminum chloride as feedstock for the production of fumed alumina. We have long-term procurement contracts or arrangements in place for the purchase of fumed silica feedstock, which we believe will enable us to meet our raw material requirements for the foreseeable future. In addition, we buy some raw materials in the spot market to help ensure flexibility and minimize costs.



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### ***Operations***

We own, or have a controlling interest in, and operate plants that produce specialty grades of carbon black in China, The Netherlands and the United States. Our masterbatch products are produced in facilities that we own, or have a controlling interest in, located in Belgium, China and the UAE. We also own, or have a controlling interest in, manufacturing plants that produce fumed metal oxides in the United States, China, the United Kingdom, and Germany. An equity affiliate operates a fumed metal oxides plant in Mettur Dam, India. The following table shows our ownership interest as of September 30, 2011 in these segment operations in which we own less than 100%:

<b>Location</b>	<b>Percentage Interest</b>
Tianjin, China (performance products)	90% (consolidated subsidiary)
Jiangxi Province, China (fumed metal oxides)	90% (consolidated subsidiary)
Mettur Dam, India (fumed metal oxides)	50% (equity affiliate)

We continue to expand the manufacturing capacity of our Performance Products and Fumed Metal Oxides Businesses in emerging markets. During fiscal 2007, we commissioned a specialty carbon black manufacturing unit at our plant in Tianjin with an annual capacity of approximately 20,000 metric tons. In addition, during fiscal 2011 we commissioned a masterbatch manufacturing plant at our carbon black plant in Tianjin, China. This new plant has an annual capacity of approximately 45,000 metric tons that may be expanded to 80,000 metric tons in the future. In addition, in fiscal 2010 we commenced manufacturing operations at our recently acquired masterbatch facility in Dubai.

We also continue to expand our fumed silica capacity in China. We are increasing the annual capacity at our joint venture's fumed silica manufacturing facility in Jiangxi Province to approximately 15,000 metric tons. We expect commissioning of the first phase of this expansion in the first quarter of fiscal 2012 and commissioning of the remainder of this expansion in the first half of calendar year 2012.

We also plan to expand production capacity by 25% at our fumed silica facility in Barry, Wales. The expansion is expected to be completed in calendar year 2012.

As part of our 2009 global restructuring plan, over the course of fiscal 2009 and 2010 we closed our masterbatch manufacturing operations in Dukinfield, U.K. and our carbon black manufacturing operations in Stanlow, U.K. and in Berre, France. In fiscal 2011, we closed our masterbatch manufacturing facility in Grigno, Italy.

### **New Business Segment**

Our New Business Segment is comprised of the Inkjet Colorants, Aerogel, Cabot Superior MicroPowders and Cabot Elastomer Composites Businesses. During the fourth quarter of fiscal 2011, we made changes in our business organizational and financial reporting structure. As part of these changes, our Cabot Elastomer Composites Business became part of our New Business Segment to enable the Business to have a stronger focus on the penetration of elastomer composite products in non-tire applications. In addition, corporate business development costs related to new technology efforts in areas such as energy storage and discharge in battery applications, solar energy applications, and graphenes in composite materials are no longer included in the Segment's results and are now included in unallocated corporate costs. We made this change because these efforts support the entire Company. A discussion of each of the Businesses in our New Business Segment follows.

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### **Inkjet Colorants Business**

#### ***Products***

We produce and sell aqueous inkjet colorants primarily to the inkjet printing market. Our inkjet colorants are high-quality pigment-based black and other colorant dispersions we manufacture by surface treating specialty grades of carbon black and other pigments. The dispersions are used in aqueous inkjet inks to impart color (optical density or chroma) with improved durability (waterfastness, lightfastness and rub resistance) while maintaining high printhead reliability. Our inkjet colorants are produced for various inkjet printing applications, including small office and home office, corporate office, and commercial and industrial printing, as well as for other niche applications that require a high level of dispersibility and colloidal stability.

#### ***Sales and Customers***

Sales of inkjet colorants are made by Cabot employees to inkjet printer manufacturers and to suppliers of inkjet inks in the inkjet cartridge aftermarket. Many of our commercialized products have been developed through joint research and development initiatives with inkjet printer manufacturers. These initiatives have led to the development of exclusive differentiated products for these inkjet customers.

#### ***Competition***

Our inkjet colorants are designed to replace traditional pigment dispersions and dyes used in inkjet printing applications. Competitive products for inkjet colorants are organic dyes and other dispersed pigments manufactured and marketed by large chemical companies and small independent producers. Competition is based on product performance, technical innovation, quality, reliability, service and price. We believe our commercial strengths include technical innovation, product performance and service.

#### ***Raw Materials***

Raw materials for inkjet colorants include carbon black sourced from our carbon black plants, organic pigments and other treating agents available from various sources. We believe that all raw materials to produce inkjet colorants are in adequate supply.

#### ***Operations***

Our inkjet colorants are manufactured at our facility in Haverhill, Massachusetts. During fiscal 2011, we announced plans to double the capacity of our color pigment dispersion and polymer product lines at our facility in Haverhill during fiscal 2012.

### **Aerogel Business**

#### ***Products***

Cabot's aerogel is a hydrophobic, silica-based particle with a high surface area that is used in a variety of thermal insulation and specialty chemical applications. In the construction industry, the product is used in insulative composite building products and translucent skylight, window, wall and roof systems for insulating eco-daylighting applications. In the oil and gas industry, aerogel is used to insulate subsea pipelines. In the specialty chemicals industry, the product is used to provide matte finishing, insulating and thickening properties for use in a variety of applications. We continue to focus on application and market development activities for use of aerogel in these and other new applications.

#### ***Sales and Customers***

Sales of aerogel products are made principally by Cabot employees. A large portion of our product sales are made to engineering procurement and installation companies for use in subsea pipe-in-pipe

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insulation applications in both the Gulf of Mexico and North Sea, and to regional building and construction companies and distributors for construction, eco-daylighting and specialty chemical applications.

### ***Competition***

Although the manufacturing processes used are different, in premium insulation applications, our aerogel products compete principally with aerogel products manufactured by Aspen Aerogel, Inc. and non-aerogel insulation products manufactured by primarily regional companies throughout the world.

Competition is based on product performance, price, quality, reliability and service. We believe our commercial strengths include technical innovation, product performance, quality and service.

### ***Raw Materials***

The principal raw materials for the production of aerogels are silica sol and/or sodium silicate, which we believe are in adequate supply.

### ***Operations***

We manufacture our aerogel products at our facility in Frankfurt, Germany using a unique and patented manufacturing process. Finished products for use in the oil and gas industry are fabricated at a facility in Billerica, Massachusetts.

### **Cabot Superior MicroPowders Business ("CSMP")**

The principal area of commercial focus for CSMP is in developing covert taggants for a broad range of anti-counterfeiting security applications, including brand security, currency, tax stamps, identification and fuel markers. Covert taggants are invisible, unique markers that are added to products to determine their authenticity through the use of custom detectors or readers. Our taggants are manufactured using a proprietary process, which produces highly uniform materials with unique signatures. Development and manufacturing activities are conducted primarily at our facilities in Albuquerque, New Mexico and Mountain View, California.

### **Cabot Elastomer Composites Business ("CEC")**

In addition to the carbon black we make using conventional carbon black manufacturing methods, we have developed elastomer composite products that are compounds of natural latex rubber and carbon black made by a patented liquid phase process. We believe these compounds improve abrasion/wear resistance, reduce fatigue and reduce rolling resistance compared to natural rubber/carbon black compounds made by conventional methods. Our CEC products are targeted for tire, defense, mining, automotive and aerospace applications. We manufacture our CEC products at our facility in Port Dickson, Malaysia.

## **Specialty Fluids Segment**

### ***Products***

Our Specialty Fluids Segment produces and markets cesium formate as a drilling and completion fluid for use primarily in high pressure and high temperature oil and gas well construction. Cesium formate products are solids-free, high-density fluids that have a low viscosity, enabling safe and efficient well construction and workover operations. The fluid is resistant to high temperatures, minimizes damage to producing reservoirs and is readily biodegradable in accordance with the testing guidelines set by the Organization for Economic Cooperation and Development. In a majority of applications, cesium formate is blended with other formates or products.

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### ***Sales, Rental and Customers***

Sales of our cesium formate products are made to oil and gas operating companies directly by Cabot employees and sales representatives and indirectly through oil field service companies. We generally rent cesium formate to our customers for use in drilling operations on a short-term basis. After completion of a job, the customer returns the fluid to Cabot and it is reprocessed for use in subsequent well operations. Any fluid that is lost during use and not returned to Cabot is paid for by the customer. On occasion we also make sales of cesium formate outside of a rental process.

A large portion of our fluids have been used for drilling and completion of wells in the North Sea, where we have been supplying cesium formate-based fluids for both reservoir drilling and completion activities on large gas and condensate field projects in the Norwegian Continental Shelf. Although we have expanded the use of our fluids to drilling operations outside of the North Sea, an important portion of our business continues to be with a limited number of customers for drilling and completion operations in the North Sea.

### ***Competition***

Formate fluids, which were introduced to the market in the mid-1990s, are a relatively small but growing part of the drilling and completion fluids market and compete mainly with traditional drilling fluid technologies. Competition in the well fluids business is based on product performance, quality, reliability, service, technical innovation and price, and proximity of inventory to customers' drilling operations. We believe our commercial strengths include our unique product offerings and their performance, and our customer service.

### ***Raw Materials***

The principal raw material used in this business is pollucite (cesium ore), which we obtain primarily from our mine in Manitoba, Canada. We own a substantial portion of the world's known pollucite reserves, ensuring us an adequate supply of our principal raw material. Considering our current production rates, our current estimate of reserve levels in the mine and inventory on hand, we expect our supply to last at least 10 years. The process of estimating mineral reserves is inherently uncertain and requires making subjective engineering, geological, geophysical and economic assumptions. Accordingly, there is likely to be variability in the estimated reserve life of the ore body over time.

Most jobs for which cesium formate is used require a large volume of the product. Accordingly, the Specialty Fluids Segment maintains a large inventory of fluid.

### ***Operations***

We have a mine and a cesium formate manufacturing facility in Manitoba, Canada, as well as fluid blending and reclamation facilities in Aberdeen, Scotland and in Bergen and Kristiansund, Norway. In addition, fluid is warehoused at various locations around the world to support existing and potential operations.

### **Patents and Trademarks**

We own and are a licensee of various patents, which expire at different times, covering many of our products as well as processes and product uses. Although the products made and sold under these patents and licenses are important to Cabot, the loss of any particular patent or license would not materially affect our business, taken as a whole. We sell our products under a variety of trademarks, the loss of any one of which would not materially affect our business, taken as a whole.

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### **Seasonality**

Our businesses are generally not seasonal in nature, although we may experience some regional seasonal declines during holiday periods.

### **Backlog**

We do not consider backlog to be a significant indicator of the level of future sales activity. In general, we do not manufacture our products against a backlog of orders. Production and inventory levels are based on the level of incoming orders as well as projections of future demand. Therefore, we believe that backlog information is not material to understanding our overall business and is not a reliable indicator of our ability to achieve any particular level of revenue or financial performance.

### **Employees**

As of September 30, 2011, we had approximately 4,100 employees. Some of our employees in the United States and abroad are covered by collective bargaining or similar agreements. We believe that our relations with our employees are generally satisfactory.

### **Research and Development**

Cabot develops new and improved products and higher efficiency processes through Company-sponsored research and technical service activities, including those initiated in response to customer requests. Our expenditures for such activities generally are spread among our businesses and are shown in the consolidated statements of operations. Further discussion of our research and technical expenses incurred in each of our last three fiscal years appears in MD&A below.

### **Safety, Health and Environment ("SH&E")**

Cabot has been named as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (the "Superfund law") and comparable state statutes with respect to several sites primarily associated with our divested businesses. (See "Legal Proceedings" below.) During the next several years, as remediation of various environmental sites is carried out, we expect to spend against our \$6 million environmental reserve for costs associated with such remediation. Adjustments are made to the reserve based on our continuing analysis of our share of costs likely to be incurred at each site. Inherent uncertainties exist in these estimates due to unknown conditions at the various sites, changing governmental regulations and legal standards regarding liability, and changing technologies for handling site investigation and remediation. While the reserve represents our best estimate of the costs we expect to incur, the actual costs to investigate and remediate these sites may exceed the amounts accrued in the environmental reserve. While it is always possible that an unusual event may occur with respect to a given site and have a material adverse effect on our results of operations in a particular period, we do not believe that the costs relating to these sites, in the aggregate, are likely to have a material adverse effect on our financial position. Furthermore, it is possible that we may also incur future costs relating to environmental liabilities not currently known to us or as to which it is currently not possible to make an estimate.

Our ongoing operations are subject to extensive federal, state, local, and foreign laws, regulations, rules, and ordinances relating to safety, health, and environmental matters ("SH&E Requirements"). These SH&E Requirements include requirements to obtain and comply with various environmental-related permits for constructing any new facilities and operating all of our existing facilities. We have expended and will continue to expend considerable sums to construct, maintain, operate, and improve facilities for safety, health and environmental protection and to comply with SH&E Requirements. We spent approximately \$36 million in environmental-related capital expenditures at existing facilities in fiscal 2011 and anticipate spending approximately \$27 million for such matters in fiscal 2012.

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In recognition of the importance of compliance with SH&E Requirements to Cabot, our Board of Directors has a Safety, Health, and Environmental Affairs Committee. The Committee, which is comprised of independent directors, meets at least three times a year and provides oversight and guidance to Cabot's safety, health and environmental management programs. In particular, the Committee reviews Cabot's environmental reserve, safety, health and environmental risk assessment and management processes, environmental and safety audit reports, performance metrics, performance as benchmarked against industry peer groups, assessed fines or penalties, site security and safety issues, health and environmental training initiatives, and the SH&E budget. The Committee also consults with our outside and internal advisors regarding management of Cabot's safety, health and environmental programs.

The International Agency for Research on Cancer ("IARC") classifies carbon black as a Group 2B substance (known animal carcinogen, possible human carcinogen). We have communicated IARC's classification of carbon black to our customers and employees and have included that information in our material safety data sheets and elsewhere, as appropriate. We continue to believe that the available evidence, taken as a whole, indicates that carbon black is not carcinogenic to humans, and does not present a health hazard when handled in accordance with good housekeeping and safe workplace practices as described in our material safety data sheets.

The California Office of Environmental Health Hazard Assessment ("OEHHA") published a notice adding "carbon black (airborne, unbound particles of respirable size)" to the California Safe Drinking Water and Toxic Enforcement Act, commonly referred to as Proposition 65, in 2003. Proposition 65 requires businesses to warn individuals before they knowingly or intentionally expose them to chemicals subject to its requirements, and it prohibits businesses from knowingly discharging or releasing the chemicals into water or onto land where they could contaminate drinking water. We worked with the International Carbon Black Association, as well as various customers and carbon black user groups, to ensure our compliance with the requirements associated with the Proposition 65 listing of carbon black, which became effective in February 2004. OEHHA is reportedly considering certain changes that may result in removing the "airborne, unbound particles of respirable size" qualifying language from its listing of carbon black. If this change is adopted by OEHHA, it would result in increased labeling and other requirements for our customers under Proposition 65.

The European Commission ("EC") developed a new European Union ("EU") regulatory framework for chemicals called REACH (Registration, Evaluation and Authorization of Chemicals), which became effective in June 2007. REACH applies to all existing and new chemical substances produced or imported into the EU in quantities greater than one metric ton a year. Manufacturers or importers of these chemical substances are required to submit specified health, safety, risk and use information about the substance to the European Chemical Agency. We completed the registrations under REACH for both carbon black and fumed silica in February 2010, and for cesium formate in April 2009. We are working to complete other substance dossiers for the 2013 registration deadline. We are also working with the manufacturers and importers of our raw materials, including our feedstocks, to ensure their registration prior to the applicable deadlines. In addition, the EC has adopted a harmonized definition of "nanomaterial" to be used in the EU to identify materials for which special provisions may apply, such as risk assessment and ingredient labeling. The EC definition is broad and would apply to many of our existing products, including carbon black, fumed silica and alumina. It is unknown at this time what the implications of this new classification may be for Cabot with respect to existing products as well as potential new products.

Environmental agencies worldwide are increasingly implementing regulations and other requirements resulting in more restrictive air emission limits globally, particularly as they relate to nitrogen oxide and sulphur dioxide emissions. In addition, global efforts to reduce greenhouse gas emissions impact the carbon black industry as carbon dioxide is emitted in the carbon black manufacturing process. In December 2005, the EC published a directive that includes carbon black manufacturing in the combustion sector and in Phase II of the Emissions Trading Scheme, which establishes a maximum allowable emission credit for each ton of CO<sub>2</sub> emitted, for the period 2008 to 2012. The EC is developing allowable emission credits for

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Phase III of the Emissions Trading Scheme, which will apply for the period 2013 to 2020. Various EU member states have included carbon black facilities in their national allocation plans and a number of our carbon black plants in Europe were required to comply with the Emission Trading Scheme beginning in calendar year 2008. We generally expect to purchase credits where necessary to respond to allocation shortfalls. There are also ongoing discussions in other regions and countries, including the U.S., Canada, China, and Brazil, regarding greenhouse gas emission reduction programs, but those programs have not yet been fully defined and their impact on us cannot be estimated at this time. Finally, Cabot's U.S. carbon black facilities began reporting their greenhouse gas emissions under the U.S. Environmental Protection Agency's new rule for the Mandatory Reporting of Greenhouse Gases in calendar year 2011.

Various U.S. agencies and international bodies have adopted security requirements applicable to certain manufacturing and industrial facilities and marine port locations. These security-related requirements involve the preparation of security assessments and security plans in some cases, and in other cases the registration of certain facilities with specified governmental authorities. We closely monitor all security-related regulatory developments and believe we are in compliance with all existing requirements. Compliance with such requirements is not expected to have a material adverse effect on our operations.

### **Foreign and Domestic Operations and Export Sales**

A significant portion of our revenues and operating profits is derived from overseas operations. The profitability of our segments is affected by fluctuations in the value of the U.S. dollar relative to foreign currencies. (See MD&A and the Geographic Information portion of Note V for further information relating to sales and long-lived assets by geographic area.) Currency fluctuations, nationalization and expropriation of assets are risks inherent in international operations. We have taken steps we deem prudent in our international operations to diversify and otherwise to protect against these risks, including the use of foreign currency financial instruments to reduce the risk associated with changes in the value of certain foreign currencies compared to the U.S. dollar. (See the risk management discussion contained in "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A below and Note L of the Notes to the Company's Consolidated Financial Statements).

### **Item 1A. *Risk Factors***

In addition to factors described elsewhere in this report, the following are important factors that could cause our actual results to differ materially from those expressed in our forward-looking statements. It is not possible, however, to predict or identify all such factors. Accordingly, investors should not consider the following to be a complete discussion of all potential risks or uncertainties.

#### **Negative or uncertain worldwide or regional economic conditions may adversely impact our business.**

Our operations and performance are affected by worldwide and regional economic conditions. In periods of significant market turmoil and financial market uncertainty, we may experience pricing pressure on products and services and reduced business activity at a regional or global level. An economic downturn may reduce demand for our products, which could decrease our revenues and could have an adverse effect on our financial condition and cash flows. In addition, during periods of economic uncertainty, our customers may temporarily pursue inventory reduction measures that exceed declines in the actual underlying demand.

Our Rubber Blacks Business is sensitive to changes in industry capacity utilization. As a result, we may experience pricing pressure when capacity utilization in this Business decreases, which could affect our financial performance.

#### **Plant capacity expansions may be delayed and/or not achieve the expected benefits.**

Our ability to complete capacity expansions as planned may be delayed or interrupted by the need to obtain environmental and other regulatory approvals, availability of labor and materials, unforeseen hazards

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such as weather conditions, and other risks customarily associated with construction projects. In addition, our ability to expand capacity in emerging regions depends in part on economic and political conditions in these regions and, in some cases, on our ability to establish operations, construct additional manufacturing capacity or form strategic business alliances. Moreover, the cost of expanding capacity in our Rubber Blacks, Performance Products, Fumed Metal Oxides and Inkjet Businesses could have a negative impact on the financial performance of these businesses until capacity utilization is sufficient to absorb the incremental costs associated with the expansion.

### **As a chemical manufacturing company, our operations have the potential to cause environmental or other damage as well as personal injury.**

The operation of a chemical manufacturing business as well as the sale and distribution of chemical products involve safety, health and environmental risks. For example, the production and/or processing of carbon black, fumed metal oxides, aerogel and other chemicals involve the handling, transportation, manufacture or use of certain substances or components that may be considered toxic or hazardous within the meaning of applicable federal, state, local and foreign laws, regulations, rules and ordinances relating to safety, health and environmental matters. The transportation of chemical products and other activities associated with our manufacturing processes have the potential to cause environmental or other damage as well as injury or death to employees or third parties. We could incur significant expenditures in connection with such operational risks.

### **Our operations are subject to extensive safety, health and environmental requirements, which could increase our costs and/or reduce our profit.**

Our ongoing operations are subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to safety, health and environmental matters ("SH&E Requirements"), many of which provide for substantial monetary fines and criminal sanctions for violations. These SH&E Requirements include requirements to obtain and comply with various environmental-related permits for constructing any new facilities and operating all of our existing facilities. In June 2009, we received an information request from the U.S. Environmental Protection Agency ("EPA") as part of an EPA national initiative focused on the U.S. carbon black manufacturing sector. The information request relates to our Pampa, Texas facility's compliance with certain regulatory and permitting requirements under the Clean Air Act, including the New Source Review ("NSR") construction permitting requirements. We responded to EPA's information request in August 2009 and are in discussions with EPA. Based on how EPA has handled similar NSR initiatives with other industrial sectors, it is anticipated that EPA will seek to require us to employ additional technology control devices or approaches with respect to emissions at certain U.S. facilities and/or seek a civil penalty from us.

We believe that our ongoing operations comply with current SH&E Requirements in a manner that should not materially adversely affect our earnings or cash flow. We cannot be certain, however, that significant costs or liabilities will not be incurred with respect to SH&E Requirements and our operations. Moreover, we are not able to predict whether future changes or developments in SH&E Requirements will affect our earnings or cash flow in a materially adverse manner.

### **Any failure to realize benefits from acquisitions, alliances or joint ventures could adversely affect future financial results.**

As part of our strategies for growth and improved profitability, we have made and may continue to make acquisitions and investments and enter into joint ventures. The success of acquisitions of new technologies, companies and products, or arrangements with third parties is not always predictable and we may not be successful in realizing our objectives as anticipated. We may not be able to integrate any acquired businesses successfully into our existing businesses, make such businesses profitable, or realize anticipated cost savings or synergies, if any, from these acquisitions, which could adversely affect our business.



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### **We are exposed to political or country risk inherent in doing business in some countries.**

Sales outside of the U.S. constituted a majority of our revenues in fiscal 2011. Our operations in some countries may be subject to the following risks: changes in the rate of economic growth; unsettled political or economic conditions; possible expropriation or other governmental actions; social unrest, war, terrorist activities or other armed conflict; confiscatory taxation or other adverse tax policies; deprivation of contract rights; trade regulations affecting production, pricing and marketing of products; reduced protection of intellectual property rights; restrictions on the repatriation of income or capital; exchange controls; inflation; currency fluctuations and devaluation; the effect of global health, safety and environmental matters on economic conditions and market opportunities; and changes in financial policy and availability of credit. We have an equity method investment in Venezuela, a country that has established rigid controls over the ability of foreign companies to repatriate cash. Such exchange controls could potentially impact our ability, in both the short and long term, to recover both the cost of our investment and earnings from that investment.

### **Volatility in the price of energy and raw materials could decrease our margins.**

Our manufacturing processes consume significant amounts of energy and raw materials, the costs of which are subject to worldwide supply and demand as well as other factors beyond our control. Dramatic increases in such costs or decreases in the availability of raw materials at acceptable costs could have an adverse effect on our results of operations. For example, movements in the market price for crude oil typically affect carbon black feedstock costs. Significant movements in the market price for crude oil tend to create volatility in our carbon black feedstock costs, which can affect our working capital and results of operations. Certain of our carbon black supply contracts contain provisions that adjust prices to account for changes in a relevant feedstock price index. We attempt to offset the effects of increases in raw material costs through selling price increases in our non-contract sales, productivity improvements and cost reduction efforts. Success in offsetting increased raw material costs with price increases is largely influenced by competitive and economic conditions and could vary significantly depending on the segment served. Such increases may not be accepted by our customers, may not be sufficient to compensate for increased raw material and energy costs or may decrease demand for our products and our volume of sales. If we are not able to fully offset the effects of increased raw material or energy costs, it could have a significant impact on our financial results.

### **We depend on a group of key customers for a significant portion of our sales. A significant adverse change in a customer relationship or in a customer's performance or financial position could harm our business and financial condition.**

Our success in strengthening relationships and growing business with our largest customers and retaining their business over extended time periods could affect our future results. We have a group of key customers across our businesses that together represent a significant portion of our total net sales and operating revenues. The loss of any of our important customers, or a reduction in volumes sold to them because of a work stoppage or other disruption, could adversely affect our results of operations until such business is replaced or the disruption ends. Any deterioration in the financial condition of any of our customers or the industries they serve that impairs our customers' ability to make payments to us also could increase our uncollectible receivables and could affect our future results and financial condition.

### **Our failure to successfully develop new products and technologies that address our customers' changing requirements or competitive challenges may have a negative effect on our business results.**

The end markets into which we sell our products are subject to periodic technological change, ongoing product improvements and changes in customer requirements. Increased competition from existing or newly developed products offered by our competitors or companies whose products offer a similar functionality as our products may negatively affect demand for our products. We work to identify, develop and market

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innovative products on a timely basis to meet our customers' changing requirements and competitive challenges. If we fail to develop new products or keep pace with technological developments, our sales may be negatively impacted and our business results could be adversely affected.

### **Fluctuations in foreign currency exchange and interest rates could affect our financial results.**

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. In fiscal 2011, we derived a majority of our revenues from sales outside the United States. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other currencies in countries where we operate will affect our results of operations and the value of balance sheet items denominated in foreign currencies. Due to the geographic diversity of our operations, weaknesses in some currencies might be offset by strengths in others over time. In addition, we are exposed to adverse changes in interest rates. We manage both these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative instruments as well as foreign currency debt. We cannot be certain, however, that we will be successful in reducing the risks inherent in exposures to foreign currency and interest rate fluctuations.

There are also instances where we have direct current exposures to foreign currency movements because settlement back into a different currency is intended. These situations can have a direct impact on our cash flows.

### **The money we spend developing new businesses and technologies may not result in a proportional increase in our revenues or profits.**

We cannot be certain that the costs we incur investing in new businesses and technologies will result in a proportional increase in revenues or profits. In addition, the timely commercialization of products that we are developing may be disrupted or delayed by manufacturing or other technical difficulties, market acceptance or insufficient market size to support a new product, competitors' new products, and difficulties in moving from the experimental stage to the production stage. These disruptions or delays could affect our future business results.

### **Our tax rate is dependent both upon the jurisdiction where our earnings arise and the tax laws in those jurisdictions.**

Our future tax rates may be adversely affected by a number of factors, including the enactment of tax legislation currently being considered in the U.S.; other changes in tax laws or the interpretation of such tax laws; changes in the estimated realization of our net deferred tax assets; the jurisdictions in which profits are determined to be earned and taxed; the repatriation of non-U.S. earnings for which we have not previously provided for U.S. income and non-U.S. withholding taxes; adjustments to estimated taxes upon finalization of various tax returns; increases in expenses that are not deductible for tax purposes, including impairment of goodwill in connection with acquisitions; changes in available tax credits; and the resolution of issues arising from tax audits with various tax authorities. Losses for which no tax benefits can be recorded could materially impact our tax rate and its volatility from one quarter to another. Any significant change in our jurisdictional earnings mix or in the tax laws in those jurisdictions could impact our future tax rates and net income in those periods.

### **Regulations requiring a reduction of greenhouse gas emissions will likely impact the carbon black industry, including our carbon black operations.**

Carbon dioxide is emitted in the carbon black manufacturing process. In December 2005, the European Commission ("EC") published a directive that includes carbon black manufacturing in the combustion

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sector and in Phase II of the Emissions Trading Scheme for the period 2008 to 2012. The EC is developing allowable emission credits for Phase III of the Emissions Trading Scheme, which will apply for the period 2013 to 2020. Various European Union member states have included carbon black facilities in their national allocation plans and we have taken actions to comply with applicable CO<sub>2</sub> emission requirements. However, there can be no assurance that we will be able to purchase emissions credits if our carbon black operations generate more CO<sub>2</sub> than our allocations permit or that the cost of such credits will be acceptable to us. There are also ongoing discussions in other regions and countries, including the U.S., Canada, China and Brazil, regarding greenhouse gas emission reduction programs, but those programs have not yet been defined and their potential impact on our manufacturing operations or financial results cannot be estimated at this time.

### **Litigation or legal proceedings could expose us to significant liabilities and thus negatively affect our financial results.**

As more fully described in "Item 3—Legal Proceedings", we are a party to or the subject of lawsuits, claims, and proceedings, including those involving contract, environmental, and health and safety matters as well as product liability and personal injury claims relating to asbestosis, silicosis, and coal worker's pneumoconiosis, and exposure to various chemicals. We are also a potentially responsible party in various environmental proceedings and remediation matters wherein substantial amounts are at issue. Adverse rulings, judgments or settlements in pending or future litigation (including contract litigation and liabilities associated with respirator claims) or in connection with environmental remediation activities could cause our results to differ materially from those expressed or forecasted in any forward-looking statements.

### **Our restructuring activities and cost saving initiatives may not achieve the results we anticipate.**

We have undertaken and will continue to undertake cost reduction initiatives and organizational restructurings to optimize our asset base, improve operating efficiencies and generate cost savings. We cannot be certain that we will be able to complete these initiatives as planned or that the estimated operating efficiencies or cost savings from such activities will be fully realized or maintained over time. In addition, when we close manufacturing facilities, we may not be successful in migrating our customers from those closed facilities to our other facilities.

### **We may be required to impair or write off certain assets if our assumptions about future sales and profitability prove incorrect.**

In analyzing the value of our inventory, property, plant and equipment, investments and intangible assets, we have made assumptions about future sales (pricing and volume), costs and cash generation. These assumptions are based on management's best estimates and if the actual results differ significantly from these assumptions, we may not be able to realize the value of the assets recorded as of September 30, 2011, which could lead to an impairment or write-off of certain of these assets in the future.

### **On occasion we enter into derivative contracts with financial counterparties. The effectiveness of these contracts is dependent on the ability of these financial counterparties to perform their obligations and their nonperformance could harm our financial condition.**

We have entered into interest rate swap contracts, foreign currency derivatives and forward commodity contracts as part of our financial strategy. The effectiveness of our hedging programs using these instruments is dependent, in part, upon the counterparties to these contracts honoring their financial obligations. If any of our counterparties are unable to perform their obligations in the future, we could be exposed to increased earnings and cash flow volatility due to an instrument's failure to hedge a financial risk.

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**We may be subject to information technology systems failures, network disruptions and breaches of data security.**

Information technology systems failures, including risks associated with upgrading our systems, network disruptions and breaches of data security could disrupt our operations by impeding our processing of transactions, our ability to protect customer or company information and our financial reporting. Our computer systems, including our back-up systems, could be damaged or interrupted by power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, events such as fires, earthquakes, floods, tornadoes and hurricanes, and/or errors by our employees. Although we have taken steps to address these concerns by implementing sophisticated network security and internal control measures, there can be no assurance that a system failure or data security breach will not have a material adverse effect on our financial condition and results of operations.

**The continued protection of our patents and other proprietary intellectual property rights are important to our success.**

Our patent and other intellectual property rights are important to our success and competitive position. We own various patents and other intellectual property rights in the U.S. and other countries covering many of our products, as well as processes and product uses. In addition, we are a licensee of various patents and intellectual property rights belonging to others in the U.S. and other countries. Because the laws and enforcement mechanisms of some countries may not allow us to protect our proprietary rights to the same extent as we are able to in the U.S., the strength of our intellectual property rights will vary from country to country.

Irrespective of our proprietary intellectual property rights, we may be subject to claims that our products, processes or product uses infringe the intellectual property rights of others. These claims, even if they are without merit, could be expensive and time consuming to defend and if we were to lose such claims, we could be subject to injunctions and/or damages, or be required to enter into licensing agreements requiring royalty payments and/or use restrictions. Licensing agreements may not be available to us, and if available, may not be available on acceptable terms.

**Natural disasters could affect our operations and financial results.**

We operate facilities in areas of the world that are exposed to natural hazards, such as floods, windstorms and earthquakes. Such events could disrupt our supply of raw materials or otherwise affect production, transportation and delivery of our products or affect demand for our products.

**Item 1B.      *Unresolved Staff Comments***

None.

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**Item 2. Properties**

Cabot's corporate headquarters are in leased office space in Boston, Massachusetts. We also own or lease office, manufacturing, storage, distribution, marketing and research and development facilities in the United States and in foreign countries. The locations of our principal manufacturing and/or administrative facilities are set forth in the table below. Unless otherwise indicated, all the properties are owned.

Location by Region	Core Segment	Performance Segment	New Business Segment	Specialty Fluids Segment
<b>Americas Region</b>				
Mountain View, CA*			X	
Alpharetta, GA <sup>(1)</sup>	X	X	X	X
Tuscola, IL		X		
Canal, LA	X	X		
Ville Platte, LA	X			
Billerica, MA	X	X	X	
Billerica, MA (plant)*			X	
Haverhill, MA			X	
Midland, MI		X		
Albuquerque, NM (2 plants)*			X	
Pampa, TX	X	X		
Campana, Argentina	X			
Maua, Brazil	X	X		
Sao Paulo, Brazil <sup>(1)</sup>	X	X	X	X
Cartagena, Colombia	X			
Lac du Bonnet, Manitoba**				X
Sarnia, Ontario	X	X		

<sup>(1)</sup> Regional shared service center

\* Leased premises

\*\* Building(s) owned by Cabot on leased land

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Location by Region	Core Segment	Performance Segment	New Business Segment	Specialty Fluids Segment
<b>EMEA Region</b>				
Loncin, Belgium		X		
Leuven, Belgium <sup>(1)</sup>	X	X	X	X
Pepinster, Belgium		X		
Valasske Mezirici (Valmez), Czech Republic**	X			
Port Jerome, France**	X			
Frankfurt, Germany*			X	
Rheinfelden, Germany		X		
Ravenna, Italy	X			
Bergen, Norway*				X
Kristiansund, Norway*				X
Aberdeen, Scotland*				X
Schaffhausen, Switzerland*	X	X	X	X
Botlek, The Netherlands**	X	X		
Dubai, United Arab Emirates*		X		
Barry, Wales**		X		
<b>Asia Pacific Region</b>				
Hong Kong, China**		X		
Jiangxi Province, China**		X		
Tianjin, China**	X	X		
Shanghai, China <sup>(1)</sup>	X	X	X	X
Shanghai, China** (plant)	X			
Mumbai, India*	X	X		
Cilegon, Indonesia**	X			
Jakarta, Indonesia*	X	X		
Merak, Indonesia	X			
Ichihara, Japan	X			
Shimonoseki, Japan**	X	X		
Tokyo, Japan*	X	X	X	
Port Dickson, Malaysia**	X		X	

<sup>(1)</sup> Regional shared service center

\* Leased premises

\*\* Building(s) owned by Cabot on leased land

During fiscal 2011, we entered into an agreement to sell our Supermetals Business. The Business has manufacturing facilities in Boyertown, Pennsylvania and Kawahigashi-machi, Japan, which are not reflected in the table above.

We conduct research and development for our various businesses primarily at facilities in Billerica, MA; Albuquerque, NM; Mountain View, CA; Pampa, TX; Pepinster, Belgium; Frankfurt and Rheinfelden, Germany; and Port Dickson, Malaysia.

Our existing manufacturing plants, together with announced capacity expansion plans, will generally have sufficient production capacity to meet current requirements and expected near-term growth. These plants are generally well maintained, in good operating condition and suitable and adequate for their intended use. Our administrative offices and other facilities are generally suitable and adequate for their intended purposes.

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**Item 3.        *Legal Proceedings***

Cabot is a party in various lawsuits and environmental proceedings wherein substantial amounts are claimed. The following is a description of the significant proceedings pending on September 30, 2011, unless otherwise specified.

**Environmental Proceedings**

In June 2009, Cabot received an information request from the United States Environmental Protection Agency ("EPA") regarding Cabot's carbon black manufacturing facility in Pampa, Texas. The information request relates to the Pampa facility's compliance with certain regulatory and permitting requirements under the Clean Air Act, including the New Source Review ("NSR") construction permitting requirements. EPA has indicated that this information request is part of an EPA national initiative focused on the U.S. carbon black manufacturing sector. Cabot responded to EPA's information request in August 2009 and is in discussions with EPA. Based upon how EPA has handled similar NSR initiatives with other industrial sectors, it is anticipated that EPA will seek to require Cabot to employ additional technology control devices or approaches with respect to emissions at certain U.S. facilities and/or seek a civil penalty from Cabot.

Cabot is one of fourteen companies, collectively the Ashtabula River Cooperating Group II ("ARCG II"), which participated in the remediation of the Ashtabula River in Ohio. Our liability at this site is associated with the former Cabot Titania business, which operated two manufacturing facilities in Ashtabula in the 1960s and early 1970s. The ARCG II is part of a public/private partnership (the Ashtabula River Partnership) established to conduct dredging and environmental restoration of the Ashtabula River. In addition to funding provided by the ARCG II and the State of Ohio, the federal government also provided funding toward the project under the Great Lakes Legacy Act and the Water Resources Development Act. Dredging of the river was completed in 2008 and the landfill that was constructed to contain all of the dredged materials was capped in 2009. The ARCG II also is in the process of finalizing a settlement with the Ashtabula River Natural Resource Trustees for alleged natural resource damages to the river. The Consent Decree memorializing this settlement is expected to be filed with the court in late calendar year 2011 or early calendar year 2012.

In 1986, Cabot sold a beryllium manufacturing facility in Reading, Pennsylvania to NGK Metals, Inc. ("NGK"). In doing so, we agreed to share with NGK the costs of certain environmental remediation of the Reading plant site. After the sale, the EPA issued an order to NGK pursuant to the Resource Conservation and Recovery Act ("RCRA") requiring NGK to address soil and groundwater contamination at the site. Soil remediation at the site has been completed and the groundwater remediation activities are ongoing pursuant to the RCRA order. We are contributing to the costs of the groundwater remediation activities pursuant to the cost-sharing agreement with NGK. Cabot and NGK are also pursuing legal claims against the United States for cost recovery and participation in future remediation activities based on the United States' previous involvement at the site, beginning in World War II and continuing thereafter.

Cabot continues to perform certain sampling and remediation activities at a former manufacturing site in Gainesville, Florida that was sold in the 1960s. The activities are pursuant to a formal Record of Decision and 1991 Consent Decree with EPA. Cabot installed a groundwater treatment system at the site in the early 1990s, and that system is still in operation. Cabot continues to work cooperatively with EPA, the Florida Department of Environmental Protection and the local authorities on this matter.

As of September 30, 2011, we had a \$6 million reserve on both a discounted and undiscounted basis for environmental remediation costs at various sites. The operation and maintenance component of this reserve was \$3 million on both a discounted and undiscounted basis. The \$6 million reserve represents our current best estimate of costs likely to be incurred for remediation based on our analysis of the extent of cleanup required, alternative cleanup methods available, abilities of other responsible parties to contribute and our interpretation of laws and regulations applicable to each of our sites.

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### **Other Proceedings**

#### ***Respirator Liabilities***

We have exposure in connection with a safety respiratory products business that a subsidiary acquired from American Optical Corporation ("AO") in an April 1990 asset purchase transaction. The subsidiary manufactured respirators under the AO brand and disposed of that business in July 1995. In connection with its acquisition of the business, the subsidiary agreed, in certain circumstances, to assume a portion of AO's liabilities, including costs of legal fees together with amounts paid in settlements and judgments, allocable to AO respiratory products used prior to the 1990 purchase by the Cabot subsidiary. In exchange for the subsidiary's assumption of certain of AO's respirator liabilities, AO agreed to provide to the subsidiary the benefits of: (i) AO's insurance coverage for the period prior to the 1990 acquisition and (ii) a former owner's indemnity of AO holding it harmless from any liability allocable to AO respiratory products used prior to May 1982.

Generally, these respirator liabilities involve claims for personal injury, including asbestosis, silicosis and coal worker's pneumoconiosis, allegedly resulting from the use of respirators that are claimed to have been negligently designed or labeled. Neither Cabot, nor its past or present subsidiaries, at any time manufactured asbestos or asbestos-containing products. Moreover, not every person with exposure to asbestos, silica or coal mine dust giving rise to a claim used a form of respiratory protection. At no time did this respiratory product line represent a significant portion of the respirator market. In addition, other parties, including AO, AO's insurers, and another former owner and its insurers (collectively, the "Payor Group"), are responsible for significant portions of the costs of these liabilities, leaving Cabot's subsidiary with a portion of the liability in only some of the pending cases.

The subsidiary transferred the business to Aearo Corporation ("Aearo") in July 1995. Cabot agreed to have the subsidiary retain certain liabilities allocable to respirators used prior to the 1995 transaction so long as Aearo paid, and continues to pay, Cabot an annual fee of \$400,000. Aearo can discontinue payment of the fee at any time, in which case it will assume the responsibility for and indemnify Cabot against the liabilities allocable to respirators manufactured and used prior to the 1995 transaction. We anticipate that we will continue to receive payment of the \$400,000 fee from Aearo and thereby retain these liabilities for the foreseeable future. We have no liability in connection with any products manufactured by Aearo after 1995.

As of September 30, 2011 and 2010, there were approximately 42,000 and 45,000 claimants, respectively, in pending cases asserting claims against AO in connection with respiratory products. Cabot has contributed to the Payor Group's defense and settlement costs with respect to a percentage of pending claims depending on several factors, including the period of alleged product use. In order to quantify our estimated share of liability for pending and future respirator liability claims, we engaged, through counsel, the assistance of Hamilton, Rabinovitz & Alschuler, Inc. ("HR&A"), a leading consulting firm in the field of tort liability valuation. The methodology developed by HR&A addresses the complexities surrounding our potential liability by making assumptions about future claimants with respect to periods of asbestos, silica and coal mine dust exposure and respirator use. Using those and other assumptions, HR&A estimated the number of future asbestos, silica and coal mine dust claims that would be filed and the related costs that would be incurred in resolving both currently pending and future claims. On this basis, HR&A then estimated the net present value of the share of these liabilities that reflected our period of direct manufacture and our contractual obligations. Based on the HR&A estimates, we have recorded on a net present value basis an \$11 million reserve (\$16 million on an undiscounted basis) to cover our estimated share of liability for pending and future respirator claims. Cash payments related to this liability were \$5 million in fiscal 2011 and \$2 million in each of fiscal 2010 and 2009.

Our current estimate of the cost of our share of existing and future respirator liability claims is based on facts and circumstances existing at this time. Developments that could affect our estimate include, but are not limited to, (i) significant changes in the number of future claims, (ii) changes in the rate of dismissals without payment of pending silica and non-malignant asbestos claims, (iii) significant changes in



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the average cost of resolving claims, (iv) significant changes in the legal costs of defending these claims, (v) changes in the nature of claims received, (vi) changes in the law and procedure applicable to these claims, (vii) the financial viability of members of the Payor Group, (viii) a change in the availability of AO's insurance coverage or the indemnity provided by AO's former owner, (ix) changes in the allocation of costs among the Payor Group and (x) a determination that our assumptions regarding the contractual obligations on which we have estimated our share of liability are inaccurate. We cannot determine the impact of these potential developments on our current estimate of our share of liability for these existing and future claims. Accordingly, the actual amount of these liabilities for existing and future claims could be different than the reserved amount. Further, if the timing of our actual payments made for respirator claims differs significantly from our estimated payment schedule, and we determine that we can no longer reasonably predict the timing of such payments, we could then be required to record the reserve amount on an undiscounted basis on our Consolidated Balance Sheets, causing an immediate impact to earnings.

### ***Other Matters***

We have various other lawsuits, claims and contingent liabilities arising in the ordinary course of our business. These include a number of claims asserting premises liability for asbestos exposure and claims in respect of our divested businesses. In our opinion, although final disposition of some or all of these other suits and claims may impact our financial statements in a particular period, they should not, in the aggregate, have a material adverse effect on our financial position.

### **Item 4. *(Removed and Reserved)***

### **Executive Officers of the Registrant**

Set forth below is certain information about Cabot's executive officers. Ages are as of November 29, 2011.

Patrick M. Prevost, age 56, joined Cabot in January 2008 as President and Chief Executive Officer. Mr. Prevost has also been a member of Cabot's Board of Directors since January 2008. Prior to joining Cabot, since October 2005, Mr. Prevost served as President, Performance Chemicals, of BASF AG, an international chemical company. Prior to that, he was responsible for BASF Corporation's Chemicals and Plastics business in North America. Prior to joining BASF in 2003, he held senior management positions at BP and Amoco.

Eduardo E. Cordeiro, age 44, is Executive Vice President and Chief Financial Officer. Mr. Cordeiro joined Cabot in 1998 as Manager of Corporate Planning and served in that position until January 2000. Mr. Cordeiro was Director of Finance and Investor Relations from January 2000 to March 2002, Corporate Controller from March 2002 to July 2003, General Manager of the Fumed Metal Oxides Business from July 2003 to January 2005, General Manager of the Supermetals Business from January 2005 to May 2008, and responsible for Corporate Strategy from May 2008 until February 2009, when he became Cabot's Chief Financial Officer. Mr. Cordeiro also co-managed CSMP from November 2004 to May 2008. Mr. Cordeiro was appointed Vice President in March 2003 and Executive Vice President in March 2009.

David A. Miller, age 52, joined Cabot in September 2009 as Executive Vice President, General Manager of Cabot's Core Segment and General Manager of the Americas region. Prior to joining Cabot, Mr. Miller held a variety of management positions in BP's chemical business in North America, Europe and Asia. Most recently, Mr. Miller served as President, Aromatics Asia, Europe and Middle East from January 2007 to July 2009, President, Global Purified Terephthalic Acid from October 2005 to January 2007, and Senior Vice President, Olefins and Derivatives China & Asia Operations (Innovene division) from January 2004 to October 2005.

Brian A. Berube, age 49, is Vice President and General Counsel. Mr. Berube joined Cabot in 1994 as an attorney in Cabot's law department and became Deputy General Counsel in June 2001. Mr. Berube was

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appointed Vice President in March 2002 at which time he was also named Business General Counsel. Mr. Berube has been General Counsel since March 2003.

Sean D. Keohane, age 44, is Vice President and General Manager of the Performance Segment. Mr. Keohane joined Cabot in August 2002 as Global Marketing Director. Mr. Keohane was General Manager of the Performance Products Business from October 2003 until May 2008, when he was named General Manager of the Performance Segment. He was appointed Vice President in March 2005. Before joining Cabot, Mr. Keohane worked for Pratt & Whitney, a division of United Technologies, in a variety of leadership positions.

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**PART II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Cabot's common stock is listed for trading (symbol CBT) on the New York Stock Exchange. As of November 15, 2011, there were 983 holders of record of Cabot's common stock. The tables below show the high and low sales price for Cabot's common stock for each of the fiscal quarters ended December 31, March 31, June 30, and September 30 and the quarterly cash dividend paid on Cabot's common stock for the past two fiscal years.

**Stock Price and Dividend Data**

	Quarters Ended			
	December 31	March 31	June 30	September 30
<b>Fiscal 2011</b>				
Cash dividends per share	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Price range of common stock:				
High	\$ 38.89	\$ 47.11	\$ 48.77	\$ 43.42
Low	\$ 32.19	\$ 38.03	\$ 36.92	\$ 23.75
<b>Fiscal 2010</b>				
Cash dividends per share	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Price range of common stock:				
High	\$ 27.52	\$ 32.23	\$ 34.00	\$ 33.20
Low	\$ 20.95	\$ 24.13	\$ 23.84	\$ 22.95

**Issuer Purchases of Equity Securities**

The table below sets forth information regarding Cabot's purchases of its equity securities during the quarter ended September 30, 2011:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
July 1, 2011—July 31, 2011	1,223	\$ 39.44	—	4,311,122
August 1, 2011—August 31, 2011	228,905	\$ 34.26	226,200	4,084,922
September 1, 2011—September 30, 2011	1,341,167	\$ 31.77	1,338,900	2,746,022
Total	1,571,295		1,565,100	

<sup>(1)</sup> On May 11, 2007, we publicly announced that the Board of Directors authorized us to repurchase five million shares of our common stock on the open market or in privately negotiated transactions. On September 14, 2007, the Board of Directors increased the share repurchase authorization to 10 million shares (the "2007 Authorization"). This authorization does not have a set expiration date. In the fourth quarter of 2011 we repurchased 1,565,100 shares under this authorization.

In addition to the 2007 Authorization, in certain circumstances the Board has authorized us to repurchase shares of restricted stock purchased by recipients of certain long-term incentive awards after such shares vest to satisfy tax withholding obligations and associated loan repayment liabilities. The shares are repurchased from employees at fair market value. During the fourth quarter of fiscal 2011, we repurchased 6,195 shares from employees under this authorization.

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**Item 6. Selected Financial Data**

In the fourth quarter of fiscal 2011, Cabot entered into an agreement to sell its Supermetals Business. This transaction is subject to regulatory approval and other customary closing conditions and is expected to close by the end of calendar year 2011. Because of this sale agreement, the results of the Supermetals Business are now presented as discontinued operations, and the assets and liabilities associated with the sale are now presented as assets and liabilities held for sale for all periods presented in the table below.

	Years Ended September 30				
	2011	2010	2009	2008	2007
	(Dollars in millions, except per share amounts and ratios)				
<b>Consolidated Net Income (Loss)</b>					
Net sales and other operating revenues	\$ 3,102	\$ 2,716	\$ 2,108	\$ 3,001	\$ 2,388
Gross profit	558	510	217	459	455
Selling and administrative expenses	249	241	205	238	241
Research and technical expenses	66	65	66	68	59
Income (loss) from operations <sup>(1)</sup>	243	204	(54)	153	155
Net interest expense and other charges <sup>(2)</sup>	(40)	(38)	(45)	(52)	(20)
Income (loss) from continuing operations	203	166	(99)	101	135
(Provision) benefit for income taxes <sup>(3)</sup>	(6)	(30)	21	(10)	(25)
Equity in earnings of affiliated companies	8	7	5	8	12
Income (loss) from discontinued operations, net of tax	53	26	(2)	7	22
Net income (loss)	258	169	(75)	106	144
Net income attributable to noncontrolling interests, net of tax	22	15	2	20	15
Net income (loss) attributable to Cabot Corporation	\$ 236	\$ 154	\$ (77)	\$ 86	\$ 129
<b>Common Share Data</b>					
Diluted net income (loss) attributable to Cabot Corporation:					
Income (loss) from continuing operations	\$ 2.77	\$ 1.94	\$ (1.21)	\$ 1.21	\$ 1.56
Income (loss) from discontinued operations	0.80	0.41	(0.04)	0.11	0.31
Net income (loss) attributable to Cabot Corporation	\$ 3.57	\$ 2.35	\$ (1.25)	\$ 1.32	\$ 1.87
Dividends	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72
Closing prices	\$ 24.78	\$ 32.57	\$ 23.11	\$ 31.78	\$ 35.53
Weighted-average diluted shares outstanding—millions <sup>(4)</sup>	65.4	64.3	62.8	62.8	66.2
Shares outstanding at year end—millions	63.9	65.4	65.3	65.3	65.3
<b>Consolidated Financial Position</b>					
Current assets	\$ 1,449	\$ 1,335	\$ 1,060	\$ 1,228	\$ 1,063
Current assets held for sale	106	103	140	180	212
Net property, plant, and equipment	1,036	937	972	1,035	976
Other assets	511	471	462	363	341
Non-current assets held for sale	39	40	42	52	44
Total assets	\$ 3,141	\$ 2,886	\$ 2,676	\$ 2,858	\$ 2,636
Current liabilities	\$ 644	\$ 523	\$ 455	\$ 574	\$ 520
Current liabilities held for sale	12	16	22	27	27
Long-term debt	556	600	623	586	503
Other long-term liabilities	307	324	334	308	314
Non-current liabilities held for sale	6	6	5	4	2
Cabot Corporation stockholders' equity	1,487	1,302	1,134	1,249	1,194
Noncontrolling interests	129	115	103	110	76
Total liabilities and stockholders' equity	\$ 3,141	\$ 2,886	\$ 2,676	\$ 2,858	\$ 2,636
Working capital <sup>(5)</sup>	\$ 899	\$ 899	\$ 723	\$ 807	\$ 728
<b>Selected Financial Ratios</b>					
Adjusted return on invested capital <sup>(6)</sup>	16%	14%	2%	8%	11%
Net debt to capitalization ratio <sup>(7)</sup>	20%	16%	22%	30%	25%

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- (1) Income (loss) from operations includes certain items. For fiscal 2011, certain items include charges of \$18 million for the Company's global restructuring activities and \$1 million for environmental reserves and legal settlements. For fiscal 2010, certain items include charges of \$46 million for the Company's global restructuring activities, \$3 million for environmental reserves and legal settlements, \$2 million for a long-lived asset impairment, and a \$2 million addition in the reserve for respirator claims. For fiscal 2009, certain items include charges of \$87 million for the Company's global restructuring activities, \$4 million for executive transition costs, and \$1 million for the write-down of impaired investments. For fiscal 2008, certain items include charges of \$16 million for the closure of our carbon black facility in Waverly, West Virginia, \$5 million for the Company's 2008 global restructuring plan, \$4 million for executive transition costs, \$3 million for environmental reserves and legal settlements, \$2 million related to the closure of a former carbon black facility, and \$2 million for debt issuance costs, offset by a gain of \$18 million for the sale of land in Altona, Australia and a \$2 million reduction in the reserve for respirator claims. For fiscal 2007, certain items include charges of \$15 million for legal and environmental reserves and settlements and \$11 million for restructuring activities.
- (2) Net interest expense and other charges for fiscal 2011, 2009 and 2008 include foreign currency losses of \$6 million, \$15 million and \$14 million, respectively. Net interest expense and other charges for fiscal 2010 and 2007 include foreign currency gains of less than \$1 million and \$9 million, respectively.
- (3) The Company's tax rate for fiscal 2011 was a provision of 3% which includes net tax benefits of \$24 million from the repatriation of high taxed income, \$10 million from the settlements of various tax audits, \$2 million from the renewal of the U.S. research and experimentation ("R&E") credit and \$2 million for investment incentive tax credits recognized in China. The Company's tax rate for fiscal 2010 was a provision of 18% which includes net tax benefits of \$15 million from the settlements of various tax audits and \$2 million for investment incentive tax credits. The Company's tax rate for fiscal 2009 was a benefit of 21%, which includes \$12 million of net tax benefits resulting from settlements of various tax audits and tax credits during the year. The Company's tax rate for fiscal 2008 was a provision of 10%, which includes approximately \$11 million of net tax benefits resulting from settlements of various tax audits and tax credits during the year. The Company's tax rate for fiscal 2007 was a provision of 19%, which includes \$3 million in tax benefits resulting from the settlement of various tax audits during the year.
- (4) The weighted-average diluted shares outstanding for fiscal 2009 excludes approximately 4 million shares as those shares would have had an antidilutive effect due to the Company's net loss position.
- (5) Working capital is total current assets, including current assets held for sale, less total current liabilities, including current liabilities held for sale.

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- (6) Adjusted return on invested capital ("Adjusted ROIC") is a non-GAAP financial measure that management believes is useful to investors as a measure of performance and the effectiveness of our use of capital. We use Adjusted ROIC as one measure to monitor and evaluate performance. ROIC is not a measure of financial performance under GAAP and may not be defined and calculated by other companies in the same manner. Adjusted ROIC, which excludes items that management considers to be unusual and not representative of the Company's segment results, is calculated as follows.

Numerator (four quarter rolling):

Net income (loss) attributable to Cabot Corporation

Less the after-tax impact of:

Noncontrolling interest in net income

Interest expense

Interest income

Certain items

Denominator:

Previous five quarter average invested capital calculated as follows:

Total Cabot Corporation stockholders' equity

Plus: Noncontrolling interests' equity

Long-term debt

Current portion of long-term debt

Notes payable to banks

Less: and cash equivalents

Cash

Less the four quarter rolling impact of after tax certain items.

- (7) Net debt to capitalization ratio is calculated by dividing total debt (the sum of short-term and long-term debt less cash and cash equivalents) by the sum of total stockholder's equity plus noncontrolling interest.

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**Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***

**Critical Accounting Policies**

The preparation of our financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent assets and liabilities. We consider an accounting estimate to be critical to the financial statements if (i) the estimate is complex in nature or requires a high degree of judgment and (ii) different estimates and assumptions were used, the results could have a material impact on the consolidated financial statements. On an ongoing basis, we evaluate our policies and estimates. We base our estimates on historical experience, current conditions and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The estimates that we believe are critical to the preparation of the Consolidated Financial Statements are presented below.

**Revenue Recognition and Accounts and Notes Receivable**

We recognize revenue when persuasive evidence of a sales arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is probable. We generally are able to ensure that products meet customer specifications prior to shipment. If we are unable to determine that the product has met the specified objective criteria prior to shipment or if title has not transferred because of shipping terms, the revenue is considered "unearned" and is deferred until the revenue recognition criteria are met.

Shipping and handling charges related to sales transactions are recorded as revenue when billed to customers or included in the sales price. Shipping and handling costs are included in cost of sales.

The following table shows the relative size of the revenue recognized in each of our reportable segments.

	Years ended September 30		
	2011	2010	2009
Core Segment	65%	63%	63%
Performance Segment	29%	30%	31%
New Business Segment	4%	4%	3%
Specialty Fluids Segment	2%	3%	3%

We derive the substantial majority of revenues from the sale of products in our Core and Performance Segments. Revenue from these products is typically recognized when the product is shipped and title and risk of loss have passed to the customer. We offer certain customers cash discounts and volume rebates as sales incentives. The discounts and volume rebates are recorded as a reduction in sales at the time revenue is recognized and are estimated based on historical experience and contractual obligations. We periodically review the assumptions underlying the estimates of discounts and volume rebates and adjust revenues accordingly.

Revenue in the New Business Segment is typically recognized when the product is shipped and title and risk of loss have passed to the customer. Depending on the nature of the contract with the customer, a portion of the segment's revenue may be recognized using proportional performance.

The majority of the revenue in the Specialty Fluids Segment arises from the rental of cesium formate. This revenue is recognized throughout the rental period based on the contracted rental terms. Customers are also billed and revenue is recognized, typically at the end of the job, for cesium formate product that is not returned. On occasion we also make sales of cesium formate outside of a rental process and revenue is recognized upon delivery of the fluid.

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We maintain allowances for doubtful accounts based on an assessment of the collectibility of specific customer accounts, the aging of accounts receivable and other economic information on both an historical and prospective basis. Customer account balances are charged against the allowance when it is probable the receivable will not be recovered. Changes in the allowance during fiscal 2011 and 2010 were not material. There is no off-balance sheet credit exposure related to customer receivable balances.

### ***Inventory Valuation***

The cost of most raw materials, work in process and finished goods inventories in the U.S. is determined by the last-in, first-out ("LIFO") method. Total U.S. inventories utilizing this cost flow assumption was \$32 million at both September 30, 2011 and 2010. These inventories represent 8% and 10% of total worldwide inventories at the respective year-ends. Had we used the first-in, first-out ("FIFO") method instead of the LIFO method for such inventories, the value of those inventories would have been \$53 million and \$35 million higher as of September 30, 2011 and 2010, respectively. The cost of other U.S. and all non-U.S. inventories is determined using the average cost method or the FIFO method. In periods of rapidly rising or declining raw material costs, the inventory method we employ can have a significant impact on our profitability. Under our current LIFO method, when raw material costs are rising, our most recent higher priced purchases are the first to be charged to cost of sales. If, however, we were using a FIFO method, our purchases from earlier periods, which were at lower prices, would instead be the first charged to cost of sales. The opposite result could occur during a period of rapid decline in raw material costs.

At certain times, we may decrease inventory levels to the point where layers of inventory recorded under the LIFO method that were purchased in preceding years are liquidated. The inventory in these layers may be valued at an amount that is different than our current costs. If there is a liquidation of an inventory layer, there may be an impact to our cost of sales and net income for that period. If the liquidated inventory is at a cost lower than our current cost, there would be a reduction in our cost of sales and an increase to our net income during the period. Conversely, if the liquidated inventory is at a cost higher than our current cost, there will be an increase in our cost of sales and a reduction to our net income during the period.

During fiscal 2009 inventory quantities were reduced at our U.S. Rubber Blacks and Performance Products sites, leading to liquidations of LIFO inventory quantities. These LIFO layer liquidations resulted in a decrease of cost of goods sold of \$5 million and an increase in consolidated net income of \$3 million (\$0.06 per diluted common share) for fiscal 2009. No such reductions occurred in either fiscal 2011 or 2010.

We review inventory for both potential obsolescence and potential loss of value periodically. In this review, we make assumptions about the future demand for and market value of the inventory and based on these assumptions estimate the amount of any obsolete, unmarketable or slow moving inventory. We write down the value of our inventories by an amount equal to the difference between the cost of inventory and the estimated market value. Historically, such write-downs have not been significant. If actual market conditions are less favorable than those projected by management at the time of the assessment, however, additional inventory write-downs may be required, which could reduce our gross profit and our earnings.

### ***Stock-based Compensation***

We have issued restricted stock, restricted stock units, and stock options under our equity compensation plans. The fair value of restricted stock and restricted stock units is the market price of our stock on the day of the grant. The fair value is recognized as expense over the service period, which generally represents the vesting period. The vesting of certain restricted stock units is dependent on certain performance based criteria. We evaluate the likelihood of achievement of such performance objectives each quarter and record stock-based compensation based on this assessment. There are no other significant estimates involved in recording compensation costs for restricted stock units with the exception of estimates we make around the probability of forfeitures. Changes in the forfeiture assumptions could impact our earnings but would not impact our cash flows.



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We use the Black-Scholes option pricing model to calculate the fair value of stock options issued under our equity compensation plans. In determining the fair value of stock options, we make a variety of assumptions and estimates, including discount rates, volatility measures, expected dividends and expected option lives. Changes to such assumptions and estimates can result in different fair values and could therefore impact our earnings. Such changes would not impact our cash flows.

### ***Goodwill and Long-Lived Assets***

Goodwill is comprised of the cost of business acquisitions in excess of the fair value assigned to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is reviewed for impairment annually, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value. The annual review is performed as of March 31st of each year.

For the reporting units that carry goodwill balances, our impairment test consists of a comparison of each reporting unit's carrying value to its estimated fair value. A reporting unit, for the purpose of the impairment test, is at or below the operating segment level. We have three reporting units that carry goodwill balances: Rubber Blacks, Fumed Metal Oxides, and Security Materials. The estimated fair value of a reporting unit is primarily based on discounted estimated future cash flows. We validate this model by considering other factors such as the fair value of comparable companies to our reporting units, and also perform a reconciliation of the fair value of all our reporting units to our overall market capitalization. The assumptions used to estimate the discounted cash flows are based on our best estimates of future growth rates, operating cash flows, capital expenditures, discount rates and market conditions over an estimate of the remaining operating period at the reporting unit level. The discount rate is based on the weighted average cost of capital that is determined by evaluating the risk free rate of return, cost of debt, and expected equity premiums. If an impairment exists, a loss is recorded to write-down the value of goodwill to its implied fair value. As a result of the test completed for March 31, 2011, the estimated fair value substantially exceeded the carrying value of our reporting units.

As of September 30, 2011, our goodwill balance is allocated between three reporting units: Rubber Blacks, \$27 million, Fumed Metal Oxides, \$11 million, and Security Materials, \$2 million. There have been no goodwill impairment charges during the periods presented in these financial statements.

Our long-lived assets primarily include property, plant and equipment, long-term investments, assets held for rent and sale and intangible assets. We review the carrying values of long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be recoverable. Such circumstances would include, but are not limited to, a significant decrease in the market price of the long-lived asset, a significant adverse change in the way the asset is being used, a decline in the physical condition of the asset or a history of operating or cash flow losses associated with the use of the asset. In the recent past, impairments have generally been recognized when we determine that we will restructure certain operations.

To test for impairment of assets we generally use a probability-weighted estimate of the future undiscounted net cash flows of the assets or asset grouping over the remaining life of the asset to determine if the asset is recoverable. If we determine that the asset is not recoverable, we determine if there is a potential impairment loss by calculating the fair value of the asset using a probability-weighted discounted estimate of future cash flows. The discount rate is based on the weighted average cost of capital that is determined by evaluating the risk free rate of return, cost of debt, and expected equity premiums. To the extent the carrying value exceeds the fair value of the asset or asset group, an impairment loss is recognized in the statement of operations in that period.

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### ***Financial Instruments***

Our financial instruments consist primarily of cash and cash equivalents, accounts and notes receivables, investments, accounts payable and accrued liabilities, short-term and long-term debt, and derivative instruments. The carrying values of our financial instruments approximate fair value with the exception of our long-term debt that has not been designated as part of a fair value hedge. The non-hedged long-term debt is recorded at amortized cost. The fair values of our financial instruments are based on quoted market prices, if such prices are available. In situations where quoted market prices are not available, we rely on valuation models to derive fair value. For interest rate swaps and cross currency swaps, we use standard models with market-based inputs. The significant inputs to these models are interest rate curves for discounting future cash flows. In determining the fair value of the commodity derivatives, the significant inputs to valuation models are quoted market prices of similar instruments in active markets. Such valuation takes into account the ability of the financial counterparty to perform.

We use derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates and foreign currency exchange rates, which exist as part of our on-going business operations. We do not enter into derivative contracts for speculative purposes, nor do we hold or issue any financial instruments for trading purposes. All derivatives are recognized on our Consolidated Balance Sheets at fair value. Where we have a legal right to offset derivative settlements under a master netting agreement with a counterparty, derivatives with that counterparty are presented on a net basis. The changes in the fair value of derivatives are recorded in either earnings or accumulated other comprehensive income, depending on whether or not the instrument is designated as part of a hedge transaction and, if designated as part of a hedge transaction, the type of hedge transaction. The gains or losses on derivative instruments reported in accumulated other comprehensive income are reclassified to earnings in the period in which earnings are affected by the underlying hedged item. The ineffective portion of all hedges is recognized in earnings during the period in which the ineffectiveness occurs.

In accordance with our risk management strategy, we may enter into certain derivative instruments that may not be designated as hedges for accounting purposes. Although these derivatives are not designated as hedges, we believe that such instruments are closely correlated with the underlying exposure, thus managing the associated risk. We record in earnings the gains or losses from changes in the fair value of derivative instruments that are not designated as hedges. Cash movements associated with these instruments are presented in the Consolidated Statements of Cash Flows as Cash Flows from Operating Activities because the derivatives are designed to mitigate risk to our cash flow from operations.

Assets and liabilities measured at fair value, including assets that are part of our defined benefit pension plans, are classified in the fair value hierarchy based on the inputs used for valuation. Assets that are actively traded on an exchange with a quoted price are classified as Level 1. Assets and liabilities that are valued based on quoted prices for similar assets or liabilities in active markets, or standard pricing models using observable inputs are classified as Level 2. As of September 30, 2011, we have no assets or liabilities carried at fair value that are valued using unobservable inputs and, therefore, no assets or liabilities that are classified as Level 3. The sensitivity of fair value estimates is immaterial relative to the assets and liabilities measured at fair value, as well as to our total equity, as of September 30, 2011.

### ***Pensions and Other Postretirement Benefits***

We maintain both defined benefit and defined contribution plans for our employees. In addition, we provide certain postretirement health care and life insurance benefits for our retired employees. Plan obligations and annual expense calculations are based on a number of key assumptions. The assumptions, which are specific for each of our U.S. and foreign plans, are related to both the assets we hold to fund our plans (where applicable) and the characteristics of the benefits that will ultimately be provided to our employees. The most significant assumptions relative to our plan assets include the anticipated rates of return on these assets. Assumptions relative to our pension obligations are more varied; they include

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estimated discount rates, rates of compensation increases for employees, mortality, employee turnover and other related demographic data. Projected health care and life insurance obligations also rely on the above mentioned demographic assumptions and assumptions surrounding health care cost trends.

We compute our recorded obligations globally in accordance with U.S. generally accepted accounting principles. Under such principles, if actual results differ from what is projected, the differences are generally accumulated and amortized over future periods and could therefore affect the recognized expense and recorded obligation in such future periods. However, cash flow requirements may be different from the amounts of expense that are recorded in the consolidated financial statements. In fiscal 2011, restructuring activities and other employee actions relative to normal operations resulted in certain pension plan curtailments and settlements, which tend to accelerate the recognition of the deferred gains and losses.

### ***Self-Insurance Reserves***

We are partially self-insured for certain third-party liabilities globally, as well as workers' compensation and employee medical benefits in the United States. The third-party and workers' compensation liabilities are managed through a wholly-owned insurance captive and the related liabilities are included in the consolidated financial statements. The employee medical obligations are managed by a third-party provider and the related liabilities are included in the consolidated financial statements. To limit our potential liabilities for these risks, however, we purchase insurance from third-parties that provides individual and aggregate stop loss protection. The aggregate self-insured liability in fiscal 2011 for combined third party liabilities, U.S. workers' compensation and employee medical benefits is \$6 million, and the retention for medical costs in the United States is at most \$200,000 per person per annum. We have accrued amounts equal to the actuarially determined future liabilities. We determine the actuarial assumptions in collaboration with third-party actuaries, based on historical information along with certain assumptions about future events. Changes in assumptions for such matters as legal actions, medical costs and changes in actual experience could cause these estimates to change and impact our earnings and cash flows.

### ***Asset Retirement Obligations***

We account for asset retirement obligations by estimating incremental costs for special handling, removal and disposal costs of materials that may or will give rise to conditional asset retirement obligations ("AROs") and then discount the expected costs back to the current year using a credit adjusted risk-free rate. ARO liabilities and costs are recognized when the timing and/or settlement can be reasonably estimated. If it is unclear when, or if, an ARO will be triggered, we use probability weightings for possible timing scenarios to determine the amounts that should be recognized in our financial statements.

The estimation of AROs is subject to a number of inherent uncertainties including: (a) the timing of when any ARO may be incurred, (b) the ability to accurately identify and reasonably estimate the costs of all materials that may require special handling or treatment, (c) the ability to assess the relative probability of different scenarios that could give rise to an ARO, and (d) other factors outside our control, including changes in regulations, costs and interest rates.

AROs have not been recognized for certain of our facilities because either the present value of the obligation cannot be reasonably estimated due to an indeterminable facility life or we do not have a legal obligation associated with the retirement of those facilities. In most circumstances where AROs have been recorded, the anticipated cash outflows will likely take place far into the future. Accordingly, actual costs and the timing of such costs may vary significantly from our estimates, which may, in turn, impact our earnings. In general, however, when such estimates change, the impact is spread over future years and thus the impact on any individual year is unlikely to be material.

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### ***Litigation and Contingencies***

We are involved in litigation in the ordinary course of business, including personal injury and environmental litigation. After consultation with counsel, as appropriate, we accrue a liability for litigation when it is probable that a liability has been incurred and the amount can be reasonably estimated. The estimated reserves are recorded based on our best estimate of the liability associated with such matters or the low end of the estimated range of liability if we are unable to identify a better estimate within that range. Our best estimate is determined through the evaluation of various information, including claims, settlement offers, demands by government agencies, estimates performed by independent third parties, identification of other responsible parties and an assessment of their ability to contribute, and our prior experience. Litigation is highly uncertain and there is always the possibility of an unusual result in any particular case that may reduce our earnings and cash flows.

The most significant reserves that we have established are for environmental remediation and respirator litigation claims. The amount accrued for environmental matters reflects our assumptions about remediation requirements at the contaminated sites, the nature of the remedies, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. A portion of the reserve for environmental matters is recognized on a discounted basis, which requires the use of an estimated discount rate and estimates of future cash flows associated with the liability. These liabilities can be affected by the availability of new information, changes in the assumptions on which the accruals are based, unanticipated government enforcement action or changes in applicable government laws and regulations, which could result in higher or lower costs.

Our current estimate of the cost of our share of existing and future respirator liability claims is based on facts and circumstances existing at this time and the amount accrued is recognized on a discounted basis. Developments that could affect our estimate include, but are not limited to, (i) significant changes in the number of future claims, (ii) changes in the rate of dismissals without payment of pending silica and non-malignant asbestos claims, (iii) significant changes in the average cost of resolving claims, (iv) significant changes in the legal costs of defending these claims, (v) changes in the nature of claims received, (vi) changes in the law and procedure applicable to these claims, (vii) the financial viability of other parties which contribute to the settlement of respirator claims, (viii) a change in the availability of insurance coverage maintained by the entity from which we acquired the safety respiration products business or the indemnity provided by its former owner, (ix) changes in the allocation of costs among the various parties paying legal and settlement costs and (x) a determination that our assumptions regarding contractual obligations on which we have estimated our share of liability are inaccurate. We cannot determine the impact of these potential developments on our current estimate of our share of liability for these existing and future claims. Accordingly, the actual amount of these liabilities for existing and future claims could be different than the reserved amount. Further, if the timing of our actual payments made for respirator claims differs significantly from our estimated payment schedule, and we determine that we can no longer reasonably predict the timing of such payments, we could then be required to record the reserve amount on an undiscounted basis on our Consolidated Balance Sheets, causing an immediate impact to earnings.

### ***Income Taxes***

Our business operations are global in nature, and we are subject to taxes in numerous jurisdictions. Tax laws and tax rates vary substantially in these jurisdictions and are subject to change based on the political and economic climate in those countries. We file our tax returns in accordance with our interpretations of each jurisdiction's tax laws.

Significant judgment is required in determining our worldwide provision for income taxes and recording the related tax assets and liabilities. In the ordinary course of our business, there are operational decisions, transactions, facts and circumstances, and calculations which make the ultimate tax determination

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uncertain. Furthermore, our tax positions are periodically subject to challenge by taxing authorities throughout the world. We have recorded reserves for taxes and associated interest and penalties that may become payable in future years as a result of audits by tax authorities. Any significant impact as a result of changes in underlying facts, law, tax rates, tax audit, or review could lead to adjustments to our income tax expense, our effective tax rate, and/or our cash flow.

We record benefits for uncertain tax positions based on an assessment of whether the position is more likely than not to be sustained by the taxing authorities. If this threshold is not met, no tax benefit of the uncertain tax position is recognized. If the threshold is met, the tax benefit that is recognized is the largest amount that is greater than 50% likely of being realized upon ultimate settlement. This analysis presumes the taxing authorities' full knowledge of the positions taken and all relevant facts, but does not consider the time value of money. We also accrue for interest and penalties on these uncertain tax positions and include such charges in the income tax provision in the Consolidated Statements of Operations.

Additionally, we have established valuation allowances against a variety of deferred tax assets, including net operating loss carry-forwards, foreign tax credits, and other income tax credits. Valuation allowances take into consideration our ability to use these deferred tax assets and reduce the value of such items to the amount that is deemed more likely than not to be recoverable. Our ability to utilize these deferred tax assets is dependent on achieving our forecast of future taxable operating income over an extended period of time. We review our forecast in relation to actual results and expected trends on a quarterly basis. Failure to achieve our operating income targets may change our assessment regarding the recoverability of our net deferred tax assets and such change could result in a valuation allowance being recorded against some or all of our net deferred tax assets. An increase in a valuation allowance would result in additional income tax expense, while a release of valuation allowances in periods when these tax attributes become realizable would reduce our income tax expense.

### ***Highly Inflationary Environments***

We monitor the currencies of countries in which we operate in order to determine if the country should be considered a highly inflationary environment. If and when a currency is determined to be highly inflationary (cumulative inflation of approximately 100 percent or more over a 3-year period), the functional currency of the affected operation would be changed to our reporting currency, the U.S. dollar. Due to cumulative inflation in Venezuela over a three-year period exceeding 100% as of January 1, 2010, the functional currency of our Venezuelan operating entity has changed to the U.S. dollar.

### ***Restructuring Activities***

Our consolidated financial statements detail specific charges relating to restructuring activities as well as the actual spending that has occurred against the resulting accruals. Our restructuring charges are estimates based on our preliminary assessments of (i) severance and other employee benefits to be granted to employees, which are based on known benefit formulas and identified job grades, (ii) costs to vacate certain facilities and (iii) asset impairments. Because these accruals are estimates, they are subject to change as a result of subsequent information that may come to our attention while executing the restructuring plans. These changes in estimates would then be reflected in our consolidated financial statements.

### ***Significant Accounting Policies***

We have other significant accounting policies that are discussed in Note A of the Notes to our Consolidated Financial Statements in Item 8 below. Certain of these policies include the use of estimates, but do not meet the definition of critical because they generally do not require estimates or judgments that are as difficult or subjective to measure. However, these policies are important to an understanding of the consolidated financial statements.

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### **Results of Operations**

#### ***Definition of Terms***

When discussing our income (loss) from operations, we use several terms. The following discussion of results includes information on our reportable segment sales and segment (or business) operating profit (loss) before interest and tax ("EBIT"). In calculating segment EBIT, we exclude certain items, meaning items that are considered by management to be unusual and not representative of segment results. In addition, in calculating segment EBIT, we include Equity in net income of affiliated companies, net of tax, royalties paid by equity affiliates and Net income attributable to noncontrolling interests, net of tax, but exclude Interest expense, foreign currency transaction gains and losses, interest income, dividend income, unearned revenue, the effects of LIFO accounting for inventory, and unallocated general and corporate costs. Our Chief Operating Decision Maker uses segment EBIT to evaluate the operating results of each segment and to allocate resources to the segments. A reconciliation of segment EBIT to Income (loss) from continuing operations before income taxes and equity in net earnings of affiliated companies is set forth within this section.

The term "LIFO" includes two factors: (i) the impact of current inventory costs being recognized immediately in cost of goods sold ("COGS") under a last-in first-out method, compared to the older costs that would have been included in COGS under a first-in first-out method ("COGS impact"); and (ii) the impact of reductions in inventory quantities, causing historical inventory costs to flow through COGS ("liquidation impact"). The term "contract lag" refers to the time lag of the feedstock related pricing adjustments in certain of our rubber blacks supply contracts. The term "product mix" refers to the various types and grades, or mix, of products sold in a particular business or segment during the period, and the positive or negative impact of that mix on the revenue or profitability of the business or segment. The discussion under the heading "Provision for Income Taxes" includes a discussion of our "operating tax rate". In calculating our operating tax rate (which is intended to provide the best metric of the Company's on-going tax rate), we exclude from the recorded tax provision (i) discrete tax items, which are unusual or infrequent, and (ii) the tax impact of certain items. For this calculation, pretax income from continuing operations is also adjusted to exclude the impact of certain items.

Cabot is organized into four business segments: the Core Segment, the Performance Segment, the New Business Segment and the Specialty Fluids Segment. Cabot is also organized for operational purposes into three geographic regions: the Americas; Europe, Middle East and Africa; and Asia Pacific. Discussions of all periods reflect these structures.

Financial results in all periods have been recast to conform to changes made to Income (loss) from discontinued operations, net of tax for our Supermetals Business and our segment reporting structure. The segment reporting structure changes include the reclassification of: i) the Cabot Elastomer Composites Business from the Rubber Blacks Business to the New Business Segment; ii) corporate business development costs related to new technology efforts from the New Business Segment to Unallocated corporate costs; iii) the COGS impact from LIFO accounting from the Rubber Blacks Business and Performance Segment to General unallocated (expense) income; and iv) corporate overhead costs that had been allocated to the Supermetals Business to the remaining Segments.

Our analysis of financial condition and operating results should be read with our Consolidated Financial Statements and accompanying notes. Unless a calendar year is specified, all references to years in this discussion are to our fiscal years ended September 30.

#### ***Drivers of Demand and Key Factors Affecting Profitability***

Drivers of demand and key factors affecting our profitability differ by Segment. In our Core Segment, demand in the Rubber Blacks Business is influenced on a long term basis primarily by: i) the number of vehicle miles driven globally; ii) the number of original equipment and replacement tires produced; and iii) the number of automotive builds. Over the past several years, the Rubber Blacks Business' operating results

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have been driven by a number of factors, including: i) increases or decreases in sales volumes; ii) changes in raw material costs and our ability to obtain sales price increases for our products commensurate with increases in raw material costs; iii) changes in pricing and product mix; iv) global and regional capacity utilization; v) fixed cost savings achieved through restructuring and other cost saving activities; vi) the growth of our volumes and market position in emerging economies; and vii) capacity management and technology investments, including the impact of energy utilization and yield improvement technologies at our manufacturing facilities. Historically, there has been a time lag between when we incur feedstock costs and the time when prices are adjusted under our supply contracts that contain feedstock related pricing formulas. Since 2008, we have been actively renegotiating these contracts in an attempt to reduce this time delay. However, during fiscal 2009, we still had contracts with a time delay in the pricing adjustment and, therefore, experienced an unfavorable impact to segment EBIT. During fiscal 2010, we reduced the percentage of volume subject to this time lag, and the financial impact of the time lag was immaterial to our business results in fiscal 2010 and fiscal 2011.

In our Performance Segment, longer term demand is driven primarily by the construction and infrastructure, automotive, electronics and consumer products industries. In recent years, operating results in the Performance Segment have been driven by: i) our growth in emerging markets; ii) our ability to deliver differentiated products that drive enhanced performance in customers' applications; and iii) our ability to obtain value pricing for this differentiation.

In our New Business Segment, drivers of demand are specific to the various businesses. In the Inkjet Colorants Business, demand has been driven by a relative increase of printer platforms using our pigments at both new and existing customers and the broader adoption of inkjet technology in office and commercial printing applications. Demand in the Aerogel Business has been driven by the adoption of aerogel products for oil and gas, daylighting, insulation for building and construction and specialty chemical applications. In the Cabot Superior MicroPowders Business, demand has been driven principally by the number of security taggant applications incorporating our unique and proprietary particles. In the Cabot Elastomer Composites Business, demand has been driven by the penetration of our unique compound of natural rubber and carbon black made in a patented liquid phase into applications for the tire, mining and defense industries. Operating results in the New Business Segment have been influenced by: i) our ability to improve the pace of revenue generation in the Segment; ii) our ability to select the highest value opportunities and work with lead users in the appropriate markets; iii) our ability to appropriately size the overall cost platform of the Segment for the opportunities; and iv) the timing of milestone payments in our Cabot Elastomer Composites Business.

In our Specialty Fluids Segment, demand for cesium formate is primarily driven by the level of drilling activity for high pressure oil and gas wells and by the petroleum industry's acceptance of our product as a drilling and completion fluid for this application. Operating results in the Specialty Fluids Segment have been driven by the size, type and duration of drilling jobs.

### ***Overview of Results for Fiscal 2011***

During fiscal 2011, profitability increased compared to fiscal 2010 driven by improved pricing and product mix and benefits from investments in energy centers and yield technology. During fiscal 2011, we entered into an agreement to divest our Supermetals Business. As such, operating results from the Supermetals Business are included in Income (loss) from discontinued operations, net of tax, for all periods presented on the Consolidated Statements of Operations and the assets and liabilities related to this business are categorized as held for sale for all periods presented on the Consolidated Balance Sheets.

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***Fiscal 2011 compared to Fiscal 2010 and Fiscal 2010 compared to Fiscal 2009—Consolidated***

*Net Sales and Gross Profit*

	Years ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Net sales and other operating revenues	\$ 3,102	\$ 2,716	\$ 2,108
Gross profit	\$ 558	\$ 510	\$ 217

The \$386 million increase in net sales from fiscal 2010 to fiscal 2011 was due primarily to higher selling prices and a favorable product mix (\$301 million) and the favorable effect of foreign currency translation (\$97 million) partially offset by lower volumes (\$8 million). The \$608 million increase in net sales from fiscal 2009 to fiscal 2010 was due primarily to higher volumes (\$404 million) from stronger demand in our key end markets, higher selling prices and a favorable product mix (\$132 million) and the favorable effect of foreign currency translation (\$52 million).

Gross profit increased by \$48 million in fiscal 2011 when compared to fiscal 2010 principally due to higher unit margins driven by the implementation of strategic value pricing and product mix initiatives and benefits from the investments in energy centers and yield technology that more than offset higher raw material costs. Gross profit increased by \$293 million in fiscal 2010 when compared to fiscal 2009 principally due to: i) higher volumes from improved demand in our end markets; ii) higher unit margins driven by the implementation of strategic value pricing and product mix initiatives; and iii) lower charges recorded as cost of sales during fiscal 2010 principally related to restructuring expenses. While there was a significant contract lag and LIFO benefit in fiscal 2009, the impact in fiscal 2010 was minimal. This resulted in an unfavorable year over year comparison for both of these items.

Gross profit percentage may be significantly affected by changes in net sales as a result of increases or decreases in prices based on the price adjustment to customers for increases or decreases in raw material costs. Therefore, we do not use gross profit percentage as an indicator of business performance, but instead we focus on gross profit dollar changes from period to period as a better indicator of business performance.

*Selling and Administrative Expenses*

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Selling and administrative expenses	\$ 249	\$ 241	\$ 205

Selling and administrative expenses increased by \$8 million in fiscal 2011 when compared to fiscal 2010. The comparative increase is principally due to increased business and business development activity levels that were partially offset by lower restructuring related expenses. Selling and administrative expenses increased by \$36 million in fiscal 2010 when compared to fiscal 2009. The comparative increase is principally due to substantially lower spending levels in fiscal 2009 from cost saving measures implemented at the onset of the global economic downturn, higher restructuring related charges and an increase in performance based compensation in fiscal 2010 commensurate with improved operating results.

*Research and Technical Expenses*

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Research and technical expenses	\$ 66	\$ 65	\$ 66

Research and technical expenses were \$1 million higher in fiscal 2011 when compared to fiscal 2010 as we maintained our investment in new product and process development opportunities across the businesses. Research and technical expenses were lower by \$1 million in fiscal 2010 when compared to



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fiscal 2009. While maintaining our gross spending levels, we also continued to focus on investing in our highest value new business and process research opportunities during fiscal 2010.

### *Interest and Dividend Income*

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Interest and dividend income	\$ 2	\$ 2	\$ 3

Interest and dividend income was \$2 million in both fiscal 2011 and 2010. Interest and dividend income was \$1 million lower in fiscal 2010 when compared to fiscal 2009 primarily due to lower interest rates, partially offset by higher cash balances.

### *Interest Expense*

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Interest expense	\$ 39	\$ 40	\$ 30

Interest expense decreased by \$1 million in fiscal 2011 when compared to fiscal 2010 driven by lower average debt levels in fiscal 2011 as compared to fiscal 2010. Interest expense increased by \$10 million in fiscal 2010 when compared to fiscal 2009. The comparative increase was primarily due to higher average interest rates resulting from the issuance of our 5% Notes in the fourth quarter of fiscal 2009.

### *Other Expense*

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Other expense	\$ 3	\$ —	\$ 18

Other expense balances are driven by foreign currency movements, including gains or losses on foreign currency transactions and the remeasurement of our foreign currency denominated debt and related derivatives. The \$3 million increase in expense from fiscal 2010 to fiscal 2011 was principally driven by an unfavorable comparison of these foreign currency movements. The \$18 million decrease in expense from fiscal 2009 to fiscal 2010 was driven by a favorable comparison of these foreign currency movements, which included the write down in fiscal 2009 of the value of bolivars that had accumulated in our holding companies over several years to a parallel exchange rate (\$5 million).

### *(Provision) Benefit for Income Taxes*

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
(Provision) benefit for income taxes	\$ (6)	\$ (30)	\$ 21
Effective tax rate	3%	18%	21%

In calculating our operating tax rate, we exclude discrete tax items and the impact of certain items on both operating income and the tax provision.

The provision for income taxes was \$6 million for fiscal 2011, resulting in an overall 3% tax rate. This amount included discrete tax benefits of \$38 million comprised of: i) \$24 million related to the repatriation of high tax income in response to recent changes in U.S. tax legislation; ii) \$10 million from audit settlements; iii) \$2 million from the recognition of investment tax credits in China; and iv) \$2 million from the renewal of the U.S. research and experimentation ("R&E") credit. The operating tax rate for fiscal 2011 was 22%.

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The provision for income taxes was \$30 million for fiscal 2010, resulting in an overall 18% tax rate. This amount included discrete tax benefits of \$15 million related to the settlement of various tax audits and \$2 million for investment incentive credits earned, partially offset by a \$1 million charge for miscellaneous adjustments. The operating tax rate for fiscal 2010 was 25%.

The benefit for income taxes was \$21 million for fiscal 2009, resulting in an overall 21% tax rate. This amount included discrete tax benefits of \$12 million comprised of: i) \$9 million from audit settlements; ii) \$2 million for the renewal of the U.S. R&E credit; and iii) \$1 million for investment incentive credits earned. However, the operating tax rate for fiscal 2009 was a charge of 83% due to the fact that the losses for which no tax benefit could be recorded were disproportionately high compared to overall income for the year.

Our anticipated operating tax rate for fiscal 2012 is 24% to 25%. The IRS has not yet commenced the audit of our 2008 and 2009 tax years and certain Cabot subsidiaries are under audit in a number of jurisdictions outside of the U.S. It is possible that some of these audits will be resolved in fiscal 2012 and could impact our anticipated overall tax rate. We have filed our tax returns in accordance with the tax laws in each jurisdiction and maintain tax reserves for uncertain tax positions.

### *Equity in Net Income of Affiliates and Noncontrolling Interest in Net Income, net of tax*

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Equity in net income of affiliated companies, net of tax	\$ 8	\$ 7	\$ 5
Net income attributable to noncontrolling interests, net of tax	22	15	2

Equity in net income of affiliated companies, net of tax, increased by \$1 million in fiscal 2011 when compared to fiscal 2010 due primarily to an improvement in profitability at our equity affiliates in Mexico and Venezuela. Equity in net income of affiliated companies, net of tax, increased by \$2 million in fiscal 2010 when compared to fiscal 2009 due primarily to an improvement in profitability at our equity affiliate in Mexico as our end markets recovered from the 2009 global economic downturn.

Noncontrolling interest in net income, net of tax, is the means by which the minority shareholders' portion of the income or loss in our consolidated joint ventures is removed from our consolidated statement of operations. For fiscal 2011, the \$7 million increase in net income attributable to noncontrolling interests, net of tax, is due to the improved profitability of our joint ventures in China, the Czech Republic and Malaysia from higher unit margins. In fiscal 2010, the \$13 million increase in net income attributable to noncontrolling interests, net of tax, is due to the improved profitability of our joint ventures in China, Indonesia, and Malaysia, from higher volumes and unit margins.

### *Income (Loss) from Discontinued Operations, net of tax*

During fiscal 2011, we entered into an agreement to divest our Supermetals Business. As such, we have reclassified income from continuing operations related to the Supermetals Business to Income (loss) from discontinued operations, net of tax, for each of the last three fiscal years. The \$27 million increase in income from discontinued operations from fiscal 2010 to fiscal 2011 was driven by an increase in profitability of the Supermetals Business as a result of improved pricing and product mix. The \$28 million increase in income from discontinued operations from fiscal 2009 to fiscal 2010 was driven by an increase in profitability of the Supermetals Business as a result of higher volumes and lower raw material costs. In addition, in each of fiscal 2011 and 2009, we recorded a loss from discontinued operations, net of tax, of less than \$1 million associated with other divested businesses. There were no other items included in discontinued operations in fiscal 2010.

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### *Net Income (Loss) Attributable to Cabot Corporation*

In fiscal 2011, we reported net income of \$236 million (\$3.57 per diluted common share). This is compared to net income of \$154 million (\$2.35 per diluted common share) in fiscal 2010 and net loss of \$77 million (\$1.25 per diluted common share) in fiscal 2009.

### *Fiscal 2011 compared to Fiscal 2010 and Fiscal 2010 compared to Fiscal 2009—By Business Segment*

Total segment EBIT, certain items, other unallocated items and income (loss) from continuing operations before taxes for fiscal 2011, 2010 and 2009 are set forth in the table below. The details of certain items and other unallocated items are shown below and in Note V of our Consolidated Financial Statements.

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Total segment EBIT	\$ 354	\$ 314	\$ 61
Certain items	(19)	(53)	(92)
Other unallocated items	(132)	(95)	(68)
Income (loss) from continuing operations before taxes	<u>\$ 203</u>	<u>\$ 166</u>	<u>\$ (99)</u>

In fiscal 2011, total segment EBIT increased by \$40 million when compared to fiscal 2010. The increase was principally driven by higher unit margins (\$101 million) from increased prices, a favorable product mix and the benefits from investments in energy centers and yield technology that more than offset higher raw material costs. Higher fixed manufacturing costs (\$44 million) from higher maintenance and other plant operating costs, lower volumes (\$9 million) in the Rubber Blacks Business and Specialty Fluids Segment, and an increase in selling and administrative costs (\$9 million) primarily related to increased headcount to support business activities in the Performance and New Business Segments partially offset this improvement.

In fiscal 2010, total segment EBIT increased by \$253 million when compared to fiscal 2009. The increase was principally driven by higher volumes (\$177 million) from stronger demand in our end markets and higher unit margins (\$100 million) from increased prices, a favorable product mix and the favorable comparison from charges in fiscal 2009 related to older, high cost inventories that did not recur in fiscal 2010. While there was a significant contract lag benefit in fiscal 2009, the impact in fiscal 2010 was minimal. This resulted in an unfavorable year over year comparison (\$23 million) for this item.

### *Certain Items:*

In recent years, the costs of various restructuring activities have been recorded as certain items, and thus not included in segment results. These charges principally comprised the certain items that were recorded in fiscal 2011, 2010 and 2009. In fiscal 2009, we implemented a global plan to restructure our operations, which has continued through fiscal 2011. In addition, we closed our masterbatch plant in Grigno, Italy in fiscal 2011 and closed our carbon black facility in Thane, India in fiscal 2010.

Details of the certain items for fiscal 2011, 2010, and 2009 are as follows:

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Global restructuring activities	(18)	(46)	(87)
Environmental reserves and legal settlements	(1)	(3)	—
Executive transition costs	—	—	(4)
Long-lived asset impairment	—	(2)	—
Reserve for respirator claims	—	(2)	—
Write-down of impaired investments	—	—	(1)
Total certain items, pre-tax	<u>\$ (19)</u>	<u>\$ (53)</u>	<u>\$ (92)</u>

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Other unallocated items include interest expense, equity in net income of affiliated companies, Unallocated corporate costs, and general unallocated (expense) income. The balances of Unallocated corporate costs are comprised of corporate costs primarily related to managing a public company that are not allocated to the segments and corporate business development costs related to new technology efforts. The balances of General unallocated (expense) income primarily include foreign currency transaction gains (losses), interest income, dividend income, the profit related to unearned revenue, and the COGS impact of LIFO accounting.

### *Other Unallocated Items:*

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Interest expense	\$ (39)	\$ (40)	\$ (30)
Equity in net income of affiliated companies	(8)	(7)	(5)
Unallocated corporate costs	(53)	(48)	(36)
General unallocated (expense) income	(32)	—	3
Total other unallocated items	<u>\$ (132)</u>	<u>\$ (95)</u>	<u>\$ (68)</u>

In fiscal 2011, costs from total other unallocated items increased by \$37 million when compared to the same period of fiscal 2010. The increase was driven by an increase in the charge associated with: i) the COGS impact of LIFO accounting (\$16 million) due to rising carbon black raw material costs in fiscal 2011; ii) the unfavorable comparative of foreign currency transactions (\$7 million); and iii) the unfavorable impact of a change in the net worth tax in Colombia (\$3 million). In addition, there were higher costs commensurate with an increase in business activity levels and higher spending for corporate business development activities. In fiscal 2010, costs from total other unallocated items increased by \$27 million when compared to the same period of fiscal 2009. The increase was driven by: i) an unfavorable comparison due to a fiscal 2009 benefit from the COGS impact of LIFO accounting (\$22 million) from lower carbon black feedstock costs, which did not repeat in fiscal 2010, and ii) an increase in interest expense (\$10 million) due to higher average interest rates resulting from the issuance of our 5% Notes in the fourth quarter of fiscal 2009.

### *Core Segment*

Sales and EBIT for the Rubber Blacks Business for fiscal 2011, 2010 and 2009 are as follows:

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Rubber Blacks Business Sales	<u>\$ 1,952</u>	<u>\$ 1,660</u>	<u>\$ 1,283</u>
Rubber Blacks Business EBIT	<u>\$ 183</u>	<u>\$ 139</u>	<u>\$ 21</u>

In fiscal 2011, sales in the Rubber Blacks Business increased by \$292 million when compared to fiscal 2010. The increase was principally driven by higher prices and a favorable product mix (\$252 million) and the favorable effect of foreign currency translation (\$73 million). Global volumes decreased by 2% in fiscal 2011 relative to fiscal 2010 driven by the closure of our carbon black facility in India. Excluding the impact of the closure of the India facility, global volumes were consistent with the prior year. In fiscal 2010, sales in the Rubber Blacks Business increased by \$377 million when compared to fiscal 2009. The increase was principally driven by higher volumes (\$246 million), higher prices and a favorable product mix (\$94 million) and the favorable effect of foreign currency translation (\$45 million). Global volumes increased by 19% in fiscal 2010 relative to fiscal 2009 from increased demand due to a combination of recovery in our end markets and the impact of expanded capacity at our facility in Tianjin, China.

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In fiscal 2011, Rubber Blacks EBIT increased by \$44 million when compared to fiscal 2010. The increase was principally driven by higher unit margins (\$79 million) from higher pricing, a favorable product mix and benefits from investments in energy centers and yield technology that more than offset higher raw material costs. Higher fixed manufacturing costs (\$23 million) from higher maintenance and other plant operating costs and lower volumes (\$11 million) partially offset these positive factors. In fiscal 2010, Rubber Blacks EBIT increased by \$118 million when compared to fiscal 2009. The increase was principally driven by higher volumes (\$74 million) and higher unit margins (\$72 million) from higher pricing, a favorable product mix and a favorable comparison from charges in fiscal 2009 related to older, high cost inventories that did not recur in the same period of fiscal 2010. While there was a significant contract lag benefit in fiscal 2009, the impact in fiscal 2010 was minimal. This resulted in an unfavorable year over year comparison (\$23 million).

Historically, our rubber blacks supply contracts have provided for a price adjustment on the first day of each quarter to account for changes in feedstock related costs and, in some cases, changes in other relevant costs. These feedstock adjustments were based upon the average of a relevant index over a three-month period, and the contracts typically provided for the adjustments to be calculated in the month preceding the quarter. Accordingly, the calculation was typically based upon the average of the three months preceding the month in which the calculation was made. In periods of rapidly fluctuating feedstock costs, this time lag could have a significant impact on the results of the Rubber Blacks Segment. Over the past three years, we have reduced the percentage of our Rubber Blacks volume subject to this time delay from approximately 50% in fiscal 2008 to less than 10% at the end of fiscal 2010 to an insignificant amount at the end of fiscal 2011. Accordingly, we anticipate that the contract lag comparisons discussed above will not be a factor in our operating results in the future.

### *Performance Segment*

Sales and EBIT for the Performance Segment for fiscal 2011, 2010 and 2009 are as follows:

	Years Ended September 30		
	2011	2010	2009
		(Dollars in millions)	
Performance Products Business Sales	\$ 626	\$ 531	\$ 410
Fumed Metal Oxides Business Sales	254	252	210
Segment Sales	<u>\$ 880</u>	<u>\$ 783</u>	<u>\$ 620</u>
Segment EBIT	<u>\$ 140</u>	<u>\$ 125</u>	<u>\$ 25</u>

In fiscal 2011, sales for the Performance Segment increased by \$97 million when compared to fiscal 2010. The increase was principally driven by higher prices and a favorable product mix (\$53 million), higher volumes (\$22 million), and the positive impact of foreign currency translation (\$21 million). During fiscal 2011, volumes in Performance Products increased by 5% due to higher demand served by new capacity for our masterbatch products. Volumes in Fumed Metal Oxides decreased by 2% due to our strategic value pricing initiative, which resulted in lower volumes sold. In fiscal 2010, sales for the Performance Segment increased by \$163 million when compared to fiscal 2009. The increase was principally driven by higher volumes (\$122 million), higher prices and a favorable product mix (\$34 million) and the positive impact of foreign currency translation (\$6 million). During fiscal 2010, volumes in Performance Products and Fumed Metal Oxides increased by 20% and 18%, respectively, principally from the global recovery of our key end markets.

EBIT in the Performance Segment increased by \$15 million in fiscal 2011 when compared to fiscal 2010. The increase was principally driven by higher unit margins (\$22 million) from higher pricing and a favorable product mix that more than offset the impact of higher raw materials costs and higher volumes

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(\$6 million). Higher fixed manufacturing costs (\$14 million) associated with the start-up of new capacity and higher maintenance and other plant operating costs partially offset these positive factors. EBIT in the Performance Segment increased by \$100 million in fiscal 2010 when compared to fiscal 2009. The increase was due to higher volumes (\$62 million) from global demand recovery, higher prices and a favorable product mix (\$36 million) and the positive effect of foreign currency translation (\$4 million).

### ***New Business Segment***

Sales and EBIT for the New Business Segment for fiscal 2011, 2010 and 2009 are as follows:

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Inkjet Colorants Business Sales	\$ 65	\$ 57	\$ 46
Aerogel Business Sales	24	24	15
Cabot Superior MicroPowders Business Sales	11	7	4
Cabot Elastomer Composites Business Sales	17	17	5
Segment Sales	<u>\$ 117</u>	<u>\$ 105</u>	<u>\$ 70</u>
Segment EBIT	<u>\$ 9</u>	<u>\$ 15</u>	<u>\$ (3)</u>

Sales in the New Business Segment increased by \$12 million in fiscal 2011 when compared to fiscal 2010, with revenue increases in the Inkjet Colorants and Cabot Superior MicroPowders Businesses. Revenue increases were driven by higher volumes in the Inkjet Colorants Business and sales of security taggants and incremental revenue resulting from the acquisition of Oxonica Materials Inc. in the Cabot Superior MicroPowders Business. Sales in the New Business Segment increased by \$35 million in fiscal 2010 when compared to fiscal 2009, with commercial revenue increases in all businesses within the Segment and higher revenues from joint development and licensing agreements. The commercial revenue improvements were driven by higher volumes in the Inkjet Colorants Business, an increased number of jobs in oil and gas applications in the Aerogel Business, increased sales of security taggants for brand authentication in the Cabot Superior MicroPowders Business, and the timing of payments associated with certain milestones in our Cabot Elastomer Composites Business.

EBIT in the New Business Segment for fiscal 2011 declined by \$6 million when compared to fiscal 2010. The decline was driven by the timing of payments associated with certain milestones which more than offset the benefit of higher product sales in our Cabot Elastomer Composites Business. EBIT in the New Business Segment for fiscal 2010 improved by \$18 million when compared to fiscal 2009. The improvement was driven by payments associated with the achievement of certain milestones in our Cabot Elastomer Composites Business and increased sales revenue in the Inkjet Colorants, Aerogel and Cabot Superior MicroPowders Businesses.

In the fourth quarter of fiscal 2010, we acquired Oxonica Materials Inc. ("OMI") from Oxonica Plc for a purchase price of \$5 million in cash. OMI (now named Cabot Security Materials, Inc.) is developing surface enhanced raman scattering materials and detection technology, which is expected to expand our portfolio of security technologies within the Cabot Superior MicroPowders Business.

### ***Specialty Fluids Segment***

Sales and EBIT for the Specialty Fluids Segment for fiscal 2011, 2010 and 2009 are as follows:

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Segment Sales	<u>\$ 69</u>	<u>\$ 81</u>	<u>\$ 64</u>
Segment EBIT	<u>\$ 22</u>	<u>\$ 35</u>	<u>\$ 18</u>

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During fiscal 2011, sales in the Specialty Fluids Segment were \$12 million lower than in fiscal 2010. The decrease was principally due to a less favorable mix of business, including jobs that were smaller and shorter in duration. During fiscal 2010, sales in the Specialty Fluids Segment were \$17 million higher than in fiscal 2009. The increase was due principally to a higher level of drilling activity in the North Sea and higher prices.

Fiscal 2011 EBIT decreased by \$13 million when compared to fiscal 2010. The decrease was principally due to a less favorable mix of business, including jobs that were smaller and shorter in duration. Fiscal 2010 EBIT increased by \$17 million when compared to fiscal 2009. The increase was driven by higher volumes from a strong level of drilling activity in the North Sea and higher pricing. These favorable factors were partially offset by increased operating expenses from the restart of our manufacturing facility in Manitoba, Canada after a temporary suspension of production activity in fiscal 2009.

### **Cash Flows and Liquidity**

#### ***Overview***

As permitted by U.S. GAAP, our Consolidated Statements of Cash Flows have been presented to include discontinued operations with continuing operations. Therefore, unless noted otherwise, the following discussion of our cash flows and liquidity position include both continuing and discontinued operations. Our liquidity position, as measured by cash and cash equivalents plus borrowing availability, decreased by \$4 million during fiscal 2011. The decrease was primarily attributable to our decreased cash position, which was offset by an increase in our committed borrowing facilities. At September 30, 2011, we had cash and cash equivalents of \$286 million, and current availability under our revolving credit agreement of approximately \$521 million.

In August 2011, we entered into a new committed unsecured revolving credit agreement. The credit agreement provides for a \$550 million revolving credit facility through August 2016 and replaced our previous credit facility which was scheduled to expire in June 2014. The credit agreement contains an option, subject to the lenders' approval, to increase the facility to \$750 million. All borrowing under the credit agreement will be based on variable interest rates. Amounts committed under the credit agreement can also be utilized to provide letters of credit in certain circumstances. We plan to use the credit agreement for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, and acquisitions. The credit agreement contains affirmative, negative and financial covenants and events of default customary for financings of this type. The financial covenants in the credit agreement include interest coverage, debt-to-EBITDA and subsidiary debt to total capitalization ratios. As of September 30, 2011, we were in compliance with all applicable covenants.

We anticipate sufficient liquidity from (i) cash on hand; (ii) cash flows from operating activities; and (iii) cash available from our credit agreement to meet our operational and capital investment needs and financial obligations for the foreseeable future. Our liquidity derived from cash flows from operations is, to a large degree, predicated on our ability to collect our receivables in a timely manner, the cost of our raw materials, and our ability to manage inventory levels.

We generally manage our cash and debt on a global basis to provide for working capital and capital expenditure requirements as needed by region or site. Cash and debt are generally denominated in the local currency of the subsidiary holding the assets or liabilities, except where there are operational cash flow reasons to hold non-functional cash or debt. As of September 30, 2011 our USD equivalent holdings by region were: Asia Pacific \$137 million, Europe \$87 million, and the Americas \$62 million, which included \$27 million in the U.S.

The following discussion of the changes in our cash balance refers to the various sections of our Consolidated Statements of Cash Flows.

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### ***Cash Flows from Operating Activities***

Cash generated by operating activities, which consists of net income adjusted for the various non-cash items included in income, changes in working capital and changes in certain other balance sheet accounts, totaled \$195 million in fiscal 2011 compared to \$249 million in fiscal 2010 and \$399 million in fiscal 2009.

Cash generated from operating activities in fiscal 2011 was driven primarily by net income of \$258 million plus \$144 million of depreciation and amortization and \$19 million of non-cash compensation, partially offset by a net increase in working capital of \$167 million (Inventories plus Accounts and notes receivable, less Accounts payable and accrued liabilities). Our working capital increase in fiscal 2011 was driven principally by higher pricing and raw material costs when compared to fiscal 2010 and is comprised of higher accounts receivable (\$111 million) and inventories (\$79 million), offset by an increase in accounts payable and accrued liabilities (\$23 million). Despite increased revenue, operating cash flows decreased in fiscal 2011 as a result of the corresponding growth of inventories, accounts receivable, and accounts payable.

Cash generated from operating activities in fiscal 2010 was driven primarily by net income of \$169 million plus \$143 million of depreciation and amortization and \$27 million of non-cash compensation, partially offset by a net increase in working capital of \$76 million. Our working capital increase in fiscal 2010 was driven principally by higher sales volumes when compared to fiscal 2009 and is comprised of higher accounts receivable (\$116 million) and inventories (\$7 million), offset by an increase in accounts payable and accrued liabilities (\$47 million).

Cash generated from operating activities in fiscal 2009 was due principally to a net decrease in working capital of \$356 million. Specifically, we had both a \$215 million decrease in accounts receivable primarily attributable to lower sales and improved collections and a decrease of \$184 million in inventories as a result of lower feedstock costs and reduced inventory quantities. Offsetting these sources of cash was a decrease in accounts payable and accrued liabilities of \$43 million as a result of the timing of raw material deliveries and payments.

In addition to the working capital movements noted above, the following other elements of operations have had a bearing on operating cash flows:

*Discontinued Operations*—Fiscal 2011 cash flows provided by operating activities include cash flows of \$81 million related to the Supermetals Business. These operating cash flows were primarily driven by \$53 million of Income from discontinued operations, net of tax, plus approximately \$21 million of deferred tax provision and approximately \$6 million of depreciation and amortization.

*Restructurings*—As of September 30, 2011, we had \$11 million of total restructuring costs in accrued expenses in the consolidated balance sheet related to our global restructuring activities. We made cash payments of \$26 million during fiscal 2011 related to these restructuring plans. We expect to make cash payments related to these restructuring activities of approximately \$10 million in fiscal 2012 and \$1 million thereafter (which includes the \$11 million already accrued in the consolidated balance sheet as of September 30, 2011).

*Environmental Reserves and Litigation Matters*—We have recorded a \$6 million reserve on both a discounted and undiscounted basis as of September 30, 2011 for environmental remediation costs at various sites. These sites are primarily associated with businesses divested in prior years. We anticipate that the expenditures at these sites will be made over a number of years, and will not be concentrated in any one year. Additionally, as of September 30, 2011 we have recorded an \$11 million reserve on a discounted basis (\$16 million on an undiscounted basis) for respirator claims. These expenditures will also be incurred over several years. We also have other litigation costs arising in the ordinary course of business.



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The following table represents the estimated future undiscounted payments related to our environmental and respirator reserves.

	Future Payments by Fiscal Year						Total
	2012	2013	2014	2015	2016	Thereafter	
	(Dollars in millions)						
Environmental	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 6
Litigation—respirator	2	1	1	1	1	10	16
Total	\$ 3	\$ 2	\$ 2	\$ 2	\$ 2	\$ 11	\$ 22

We expect that cash on hand and cash provided from operations will be adequate to fund any cash requirements relating to environmental matters or pending litigation costs.

### ***Operating Activities—Other***

#### ***Venezuela***

We own 49% of an operating affiliate in Venezuela, which is accounted for as an equity affiliate, through our wholly owned subsidiaries that carry the investment and receive its dividends. As of September 30, 2011 these subsidiaries carried the operating affiliate investment of \$26 million, and held 21 million bolivars (\$5 million) in cash and dividends receivable.

An inability to convert the operating affiliate's earnings into U.S. dollars would be considered an indicator of impairment, requiring a full impairment analysis of our investment and, therefore, we closely monitor our ability to convert our bolivar holdings into U.S. dollars.

The Venezuelan bolivar may only be exchanged for foreign currencies through certain Venezuelan government controlled channels. The channels available are the Venezuelan central bank ("CADIVI"), Venezuelan government and government-backed bond offerings or an officially sanctioned and regulated secondary market ("SITME"). SITME is subject to restrictions which preclude us from utilizing this market to remit dividends. The bond issuance process uses a bidding process, where companies and individuals requiring U.S. dollars place a request for a fixed sum, and CADIVI then determines how to allocate out the pool of U.S. dollars in that issuance.

During fiscal 2011, the operating affiliate declared a dividend of 19 million bolivars to our wholly owned subsidiaries, of which 6 million bolivars was paid in U.S. dollars at an exchange rate of 4.30 bolivars to the U.S. dollar ("B/\$"). We also participated in various bond offerings during fiscal 2011, repatriating approximately 4 million bolivars at a rate of 6.55 B/\$, which resulted in an exchange loss of less than \$1 million, recognized in the first quarter of fiscal 2011. These transactions indicate that there continue to be available mechanisms to convert the operating affiliate's earnings to U.S. dollars and, therefore, we continue to use the CADIVI official rate of 4.30 B/\$ to remeasure our bolivar balances. We still intend to convert substantially all bolivars held by our Venezuelan subsidiaries to U.S. dollars as soon as practical and we continue to monitor for opportunities to convert their bolivars through Venezuelan government, or government backed, bond offerings.

Any future change in the CADIVI official rate or opening of additional parallel markets could lead us to use a different exchange rate and result in gains or losses on our bolivar denominated assets held by our subsidiaries.

#### ***Employee Benefit Plans***

As of September 30, 2011 we had a consolidated pension obligation, net of the fair value of plan assets, of \$162 million, comprised of \$83 million for pension benefit plan liabilities and \$79 million for postretirement benefit plan liabilities.

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The \$83 million of underfunded pension benefit plan liabilities is derived as follows:

	<u>U.S.</u>	<u>Foreign</u>	<u>Total</u>
		(Dollars in millions)	
Fair value of plan assets	\$ 103	\$ 197	\$ 300
Benefit obligation	147	236	383
Funded status	<u>\$ (44)</u>	<u>\$ (39)</u>	<u>\$ (83)</u>

In fiscal 2011, we made cash contributions totaling approximately \$13 million to our foreign pension benefit plans and none to our U.S. pension plan. For fiscal 2012, we expect to make cash contributions of approximately \$8 million to our U.S. pension plan and approximately \$12 million to our foreign pension plans.

The \$79 million of unfunded postretirement benefit plan liabilities is comprised of \$64 million for our U.S. and \$15 million for our foreign postretirement benefit plans. These postretirement benefit plans provide certain health care and life insurance benefits for retired employees. Typical of such plans, our postretirement plans are unfunded and, therefore, have no plan assets. We fund these plans as claims or insurance premiums come due. In fiscal 2011, we paid postretirement benefits of \$5 million under our U.S. postretirement plans and less than \$1 million under our foreign postretirement plans. For fiscal 2012, we expect to make benefit payments of approximately \$6 million under our U.S. postretirement plans and \$1 million under our foreign postretirement plans.

#### ***Cash Flows from Investing Activities***

Cash flows from investing activities were primarily driven by capital expenditures and consumed \$232 million of cash in fiscal 2011 compared to \$112 million of cash in fiscal 2010 and \$105 million in fiscal 2009. Capital expenditures in fiscal 2011 of \$230 million were primarily related to sustaining and replacement capital for our operating facilities, investments in energy recovery technology, expansion of our manufacturing footprint in the Asia Pacific region and capital spending required for process technology and product differentiation projects.

Cash used in investing activities for fiscal 2011 includes approximately \$6 million of additions to property, plant and equipment in the Supermetals Business.

Capital expenditures in fiscal 2010 of \$108 million were primarily related to sustaining and replacement capital for our operating facilities, investments in energy recovery technology, the completion of our newly commissioned masterbatch facility in Dubai, expansion of our manufacturing footprint in the Asia Pacific region and capital spending required for process technology and product differentiation projects.

Capital expenditures in fiscal 2009 of \$106 million included spending for expansion of rubber blacks capacity at an existing facility in China, new energy centers at other rubber blacks facilities and a new facility in Dubai.

Capital expenditures for fiscal 2012 are expected to be between \$200 million to \$250 million. Our planned capital spending program for fiscal 2012 is primarily for higher spending for ongoing sustaining and replacement capital as well as investments in energy related projects and capacity expansions.

#### ***Cash Flows from Financing Activities***

Financing activities consumed \$72 million of cash in fiscal 2011 compared to \$57 million of cash in fiscal 2010 and \$127 million in fiscal 2009. In each year, financing cash flows were primarily driven by changes in debt levels and dividend payments. In addition, in fiscal 2011 we repurchased approximately 1.6 million shares of our common stock on the open market.

The Supermetals Business did not have significant Cash Flows from Financing Activities in fiscal 2011.

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### *Debt*

The following table provides a summary of our outstanding long-term debt.

	September 30	
	2011	2010
	(Dollars in millions)	
Variable rate debt	\$ 15	\$ 16
Interest rate swaps—fixed to variable <sup>(1)</sup>	58	73
Total variable rate debt	73	89
Fixed rate debt, net of discount	585	606
Interest rate swaps—fixed to variable <sup>(1)</sup>	(58)	(73)
Total fixed rate debt	527	533
Unamortized bond discounts	(2)	(2)
Capital lease obligations	15	3
Total debt	613	623
Less current portion on long-term debt	(57)	(23)
Total long-term debt	\$ 556	\$ 600

<sup>(1)</sup> The face value of debt swapped from fixed rate to variable rate using interest rate swaps is presented above in order to view our effective fixed and variable debt balances.

In fiscal 2011, net proceeds from certain short term financing arrangements totaled \$56 million, offset by long-term debt repayments of \$21 million. In fiscal 2010, because of our strong operating cash flows and the proceeds obtained in fiscal 2009 from the issuance of the 5% Notes due in 2016, we had little movement in financing cash flows apart from our on-going dividend payments to our shareholders. In fiscal 2009, we issued 5% Notes due in 2016 and repaid other debt. We had \$521 million of availability under our credit agreement as of September 30, 2011.

Our long-term total debt, of which \$57 million is current, matures at various times over the next twenty-seven years. The weighted-average interest rate on our fixed rate long-term debt was 5.5%, including the effects of the interest rate swaps. The weighted-average interest rate on variable interest rate long-term debt was 3.6% as of September 30, 2011, including the effects of the interest rate swaps.

At September 30, 2011, we have provided standby letters of credit and bank guarantees totaling \$37 million, which expire throughout fiscal 2012.

### *Share repurchases*

During fiscal 2011, we repurchased approximately 1.6 million shares of our common stock on the open market for an aggregate purchase price of \$50 million. As of September 30, 2011, we had approximately 2.7 million shares available for repurchase under the Board of Directors' share repurchase authorization. We also repurchased shares of our common stock with an aggregate market value of \$9 million from employees to facilitate their payment of taxes and associated loan repayment obligations due on the vesting of long term incentive awards.

### *Dividend payments*

In each of fiscal 2011, 2010 and 2009, we paid cash dividends on our common stock of \$0.72 per share. These cash dividend payments totaled \$47 million in fiscal 2011, \$47 million in fiscal 2010, and \$48 million in fiscal 2009.

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### *Off-balance sheet arrangements*

We had no material transactions that meet the definition of an off-balance sheet arrangement.

### *Contractual Obligations*

The following table sets forth our long-term contractual obligations, excluding those attributable to our discontinued operations, which are described in greater detail in Note T in the notes to our Consolidated Financial Statements in Item 8. Variable interest is based on the variable debt outstanding and prevailing variable interest rates as of September 30, 2011, and the table includes the impact of our interest rate swaps that change fixed rates to floating rates.

	Payments Due by Fiscal Year						Total
	2012	2013	2014	2015	2016	Thereafter	
	(Dollars in millions)						
<b>Contractual Obligations<sup>(1)</sup></b>							
Purchase commitments	\$ 289	\$ 276	\$ 260	\$ 257	\$ 371	\$ 2,838	\$ 4,291
Long-term debt <sup>(2)</sup>	56	182	2	—	300	57	597
Capital lease obligations <sup>(3)</sup>	1	1	1	1	1	12	17
Fixed interest on long-term debt	27	26	19	19	19	20	130
Variable interest on long-term debt	2	—	—	—	—	—	2
Operating leases	19	15	12	11	8	29	94
Total	<u>\$ 394</u>	<u>\$ 500</u>	<u>\$ 294</u>	<u>\$ 288</u>	<u>\$ 699</u>	<u>\$ 2,956</u>	<u>\$ 5,131</u>

<sup>(1)</sup> We are unable to estimate the timing of potential future payments related to our accrual for uncertain tax positions in the amount of \$56 million at September 30, 2011.

<sup>(2)</sup> Payment of long-term debt excludes settlements of cross currency swaps.

<sup>(3)</sup> Capital lease obligations includes \$2 million for a lease committed to in fiscal 2011 as the lease agreement is not effective until fiscal 2012.

### *Purchase commitments*

We have entered into long-term, volume-based purchase agreements primarily for the purchase of raw materials and natural gas with various key suppliers in our Core and Performance Segments. Under certain of these agreements the quantity of material being purchased is fixed, but the price we pay changes as market prices change. For purposes of the table above, current purchase prices have been used to quantify total commitments.

### *Operating Leases*

We have operating leases primarily comprised of leases for transportation vehicles, warehouse facilities, office space, and machinery and equipment.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to changes in interest rates and foreign currency exchange rates because we finance certain operations through long- and short-term borrowings and denominate our transactions in a variety of foreign currencies. Changes in these rates may have an impact on future cash flows and earnings. We manage these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments.

We have policies governing our use of derivative instruments, and we do not enter into financial instruments for trading or speculative purposes.

By using derivative instruments, we are subject to credit and market risk. The derivative instruments are booked to our balance sheet at fair market value and reflect the asset or (liability) position as of

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September 30, 2011. If a counterparty fails to fulfill its performance obligations under a derivative contract, our exposure will equal the fair value of the derivative. Generally, when the fair value of a derivative contract is positive, the counterparty owes Cabot, thus creating a payment risk for Cabot. We minimize counterparty credit (or repayment) risk by entering into these transactions with major financial institutions of investment grade credit rating. As of September 30, 2011, the counterparties that we have executed derivatives with were rated between A- and AA-, inclusive, by Standard and Poor's. Our exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow.

**Interest Rate Risk**

As of September 30, 2011, we had long-term debt, including the current portion, totaling \$613 million, which has both variable and fixed interest rate components. We have entered into interest rate swaps as a hedge to a portion of our underlying debt instruments to effectively change the characteristics of the interest rate without changing the debt instrument. For fixed rate debt, interest rate changes affect the fair value, but do not impact earnings or cash flows. Conversely, for floating rate debt, interest rate changes generally do not affect the fair value, but do impact future earnings and cash flows, assuming other factors are held constant. As most of our long-term debt was issued at fixed rates, we use interest rate swaps as a means to achieve a different fixed-to-floating interest rate mix.

The table below summarizes the principal terms of our interest rate swap transactions, including the notional amount of the swap, the interest rate payment we receive from and pay to our swap counterparty, the term of the transaction, and its fair value at September 30, 2011.

Description	Notional Amount	Receive	Pay	Fiscal Year Entered into	Maturity (Fiscal Year)	Fair Market Value at September 30, 2011
						Asset/ (Liability) (USD)
Interest Rate Swaps—Fixed to Variable	USD 35 million	5.25% Fixed	U.S.-6 month LIBOR + 0.62%	2003	2013	3 million
	USD 8 million	8.28% Fixed	U.S.-6 month LIBOR + 3.14%	2007	2012	—
	USD 5 million	8.27% Fixed	U.S.-3 month LIBOR + 6.38%	2010	2012	—
	USD 5 million	8.27% Fixed	U.S.-3 month LIBOR + 6.38%	2010	2012	—
	USD 5 million	8.18% Fixed	U.S.-3 month LIBOR + 6.35%	2010	2012	—

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### **Foreign Currency Risk**

Our international operations are subject to certain risks, including currency exchange rate fluctuations and government actions. Currently, we have issued debt denominated in U.S. dollars and then entered into cross currency swaps that exchange our dollar principal and interest payments into a currency where we expect long-term, stable cash receipts. The following table summarizes the principal terms of our long-term foreign currency swap transactions, including the notional amount of the swap, the interest rate payment we receive from and pay to our swap counterparty, the term of the transaction and its fair market value at September 30, 2011.

Description	Net Notional Amount	Receive	Pay	Fiscal Year Entered Into	Maturity Year	Fair Market Value at September 30, 2011 (USD)
Cross Currency Swaps	USD 140 million swapped to EUR 124 million	5.25% Fixed	5.43% Fixed	2003	2013	(32 million)
	USD 35 million swapped to EUR 31 million	US-6 month LIBOR	EUR-6 month LIBOR	2003	2013	(8 million)

Foreign currency exposures also relate to assets and liabilities denominated in foreign currencies other than the functional currency of a given subsidiary as well as the risk that currency fluctuations could affect the dollar value of future cash flows generated in foreign currencies. Accordingly, we use short-term forward contracts to minimize the exposure to foreign currency risk. These forward contracts typically have a duration of 30 days. At September 30, 2011, we had \$65 million in net notional foreign currency contracts, which were denominated in the Australian dollar, British pound sterling, Canadian dollar, Euro, and Japanese yen. These forwards had a fair value of (\$2 million) as of September 30, 2011. Of the \$65 million in net notional foreign currency contracts, \$12 million related to contracts denominated in Japanese Yen which were designated as a fair value hedge. These hedge contracts had a fair value of (\$1 million) at September 30, 2011.

In certain situations where we have a long-term commitment denominated in a foreign currency we may enter into appropriate financial instruments in accordance with our risk management policy to hedge future cash flow exposures.

### **Commodity Risk**

Certain of our carbon black plants in Europe are subject to mandatory greenhouse gas emission trading schemes. Our objective is to ensure compliance with the European Union Emission Trading Scheme, which is based upon a Cap-and-Trade system that establishes a maximum allowable emission credit for each ton of CO<sub>2</sub> emitted. European Union Allowances ("EUA") originate from the individual EU member state's country allocation process and are issued by that country's government. A company that has an excess of EUAs based on the CO<sub>2</sub> emissions limits may sell EUAs in the Emission Trading Scheme and if they have a shortfall, a company can buy EUAs or Certified Emission Reduction ("CER") units to comply.

In order to limit the variability in cost to our European operations, we purchased CERs and sold EUAs which settle each December until 2012. The following table provides details of the derivatives held as of September 30, 2011 used to manage commodity risk.

Description	Net Notional Amount	Net Buyer / Net Seller	Fiscal Year Entered into	Maturity (Fiscal Year)	Fair Market Value at September 30, 2011 Asset/(Liability) (USD)
EUAs	EUR 1 million	Net Seller	2008 & 2009	2012	1 million
CERs	EUR 1 million	Net Buyer	2008 & 2009	2012	(1) million

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Item 8. *Financial Statements and Supplementary Data*

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**CABOT CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years Ended September 30		
	2011	2010	2009
	(In millions, except per share amounts)		
Net sales and other operating revenues	\$ 3,102	\$ 2,716	\$ 2,108
Cost of sales	2,544	2,206	1,891
Gross profit	558	510	217
Selling and administrative expenses	249	241	205
Research and technical expenses	66	65	66
Income (loss) from operations	243	204	(54)
Interest and dividend income	2	2	3
Interest expense	(39)	(40)	(30)
Other expense	(3)	—	(18)
Income (loss) from continuing operations before income taxes and equity in net earnings of affiliated companies	203	166	(99)
(Provision) benefit for income taxes	(6)	(30)	21
Equity in earnings of affiliated companies, net of tax of \$5, \$4 and \$1	8	7	5
Income (loss) from continuing operations	205	143	(73)
Income (loss) from discontinued operations, net of tax of \$29, \$16, and (\$1)	53	26	(2)
Net income (loss)	258	169	(75)
Net income attributable to noncontrolling interests, net of tax of \$4, \$3 and \$1	22	15	2
Net income (loss) attributable to Cabot Corporation	\$ 236	\$ 154	\$ (77)
Weighted-average common shares outstanding, in millions:			
Basic	64.6	63.8	62.8
Diluted	65.4	64.3	62.8
Income (loss) per common share:			
Basic:			
Income (loss) from continuing operations attributable to Cabot Corporation	\$ 2.80	\$ 1.96	\$ (1.21)
Income (loss) from discontinued operations	0.82	0.41	(0.04)
Net income (loss) attributable to Cabot Corporation	\$ 3.62	\$ 2.37	\$ (1.25)
Diluted:			
Income (loss) from continuing operations attributable to Cabot Corporation	\$ 2.77	\$ 1.94	\$ (1.21)
Income (loss) from discontinued operations	0.80	0.41	(0.04)
Net income (loss) attributable to Cabot Corporation	\$ 3.57	\$ 2.35	\$ (1.25)
Dividends per common share	\$ 0.72	\$ 0.72	\$ 0.72

*The accompanying notes are an integral part of these consolidated financial statements.*



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**CABOT CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**ASSETS**

	<b>September 30</b>	
	<b>2011</b>	<b>2010</b>
	<b>(In millions, except share and per share amounts)</b>	
Current assets:		
Cash and cash equivalents	\$ 286	\$ 387
Accounts and notes receivable, net of reserve for doubtful accounts of \$4 and \$4	659	540
Inventories	393	307
Prepaid expenses and other current assets	76	71
Deferred income taxes	35	30
Current assets held for sale	106	103
Total current assets	1,555	1,438
Property, plant and equipment	2,967	2,878
Accumulated depreciation and amortization	(1,931)	(1,941)
Net property, plant and equipment	1,036	937
Goodwill	40	39
Equity affiliates	60	61
Assets held for rent	46	40
Deferred income taxes	261	245
Other assets	104	86
Noncurrent assets held for sale	39	40
Total assets	\$ 3,141	\$ 2,886

*The accompanying notes are an integral part of these financial statements.*

**CABOT CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND STOCKHOLDERS' EQUITY**

	September 30	
	2011	2010
	(In millions, except share and per share amounts)	
Current liabilities:		
Notes payable to banks	\$ 86	\$ 29
Accounts payable and accrued liabilities	461	431
Income taxes payable	34	34
Deferred income taxes	6	6
Current portion of long-term debt	57	23
Current liabilities held for sale	12	16
Total current liabilities	656	539
Long-term debt	556	600
Deferred income taxes	8	6
Other liabilities	299	318
Noncurrent liabilities held for sale	6	6
Commitments and contingencies (Note T)		
Stockholders' equity:		
Preferred stock:		
Authorized: 2,000,000 shares of \$1 par value		
Issued and Outstanding: None and none	—	—
Common stock:		
Authorized: 200,000,000 shares of \$1 par value		
Issued: 63,894,443 and 65,429,916 shares		
Outstanding: 63,860,777 and 65,370,220 shares	64	65
Less cost of 33,666 and 59,696 shares of common treasury stock	(1)	(2)
Additional paid-in capital	18	46
Retained earnings	1,314	1,125
Deferred employee benefits	(14)	(20)
Accumulated other comprehensive income	106	88
Total Cabot Corporation stockholders' equity	1,487	1,302
Noncontrolling interests	129	115
Total stockholders' equity	1,616	1,417
Total liabilities and stockholders' equity	\$ 3,141	\$ 2,886

*The accompanying notes are an integral part of these financial statements.*

**CABOT CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Years Ended September 30		
	2011	2010	2009
	(In millions)		
<b>Cash Flows from Operating Activities:</b>			
Net income (loss)	\$ 258	\$ 169	\$ (75)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization	144	143	169
Deferred tax provision	(25)	(2)	(51)
Impairment charges	—	2	—
Loss on sale of property, plant and equipment	2	6	11
Equity in earnings of affiliated companies	(8)	(7)	(5)
Non-cash compensation	19	27	27
Other non-cash (income) charges, net	(3)	(5)	2
Changes in assets and liabilities:			
Accounts and notes receivable	(111)	(116)	215
Inventories	(79)	(7)	184
Prepaid expenses and other current assets	(17)	(18)	1
Accounts payable and accrued liabilities	23	47	(43)
Income taxes payable	1	7	(15)
Other liabilities	(12)	(7)	(26)
Cash dividends received from equity affiliates	4	6	1
Other	(1)	4	4
Cash provided by operating activities	195	249	399
<b>Cash Flows from Investing Activities:</b>			
Additions to property, plant and equipment	(230)	(108)	(106)
Investment in equity affiliate	(2)	—	(3)
Acquisition of business, net of cash acquired	—	(5)	—
Proceeds from sales of property, plant and equipment	6	6	2
(Increase) decrease in assets held for rent	(6)	2	2
Settlement of derivatives	—	(7)	—
Cash used in investing activities	(232)	(112)	(105)
<b>Cash Flows from Financing Activities:</b>			
Borrowings under financing arrangements	71	37	25
Repayments under financing arrangements	(45)	(31)	(69)
Proceeds from long-term debt, net of issuance costs	—	—	312
Repayments of long-term debt	(21)	(6)	(321)
Increase (decrease) in notes payable to banks, net	30	(8)	(16)
Purchases of common stock	(59)	(5)	(2)
Proceeds from sales of common stock	5	3	—
Cash dividends paid to noncontrolling interests	(12)	(6)	(9)
Cash dividends paid to common stockholders	(47)	(47)	(48)
Proceeds from restricted stock loan payments	6	6	1
Cash used in financing activities	(72)	(57)	(127)
Effect of exchange rate changes on cash	8	3	8
(Decrease) increase in cash and cash equivalents	(101)	83	175
Cash and cash equivalents at beginning of period	387	304	129
Cash and cash equivalents at end of period	\$ 286	\$ 387	\$ 304
Income taxes paid	\$ 64	\$ 43	\$ 30
Interest paid	34	28	24
Non-cash additions to property, plant and equipment	14	—	—

*The accompanying notes are an integral part of these consolidated financial statements*

**CABOT CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)**  
**Years Ended September 30**  
(In millions, except shares in thousands)

	Common Stock, Net of Treasury			Notes			Total				
	Stock		Additional	Deferred	Receivable for	Accumulated Other	Cabot Corporation	Non-	Total		
			Paid-in	Retained	Employee	Restricted	Comprehensive	Stockholders'	controlling	Stockholders'	Comprehensive
2009	Shares	Cost	Capital	Earnings	Benefits	Stock	Income	Equity	Interests	Equity	Loss
Balance at September 30, 2008	65,278	\$ 61	\$ 21	\$ 1,143	\$ (30)	\$ (21)	\$ 75	\$ 1,249	\$ 110	\$ 1,359	
Net loss attributable to Cabot Corporation				(77)							\$ (77)
Foreign currency translation adjustment, net of tax of \$6							22				22
Change in employee benefit plans, net of tax of \$4							(36)				(36)
Change in unrealized loss on investments and derivative instruments, net of tax \$1							(1)				(1)
Total other comprehensive loss											\$ (15)
Comprehensive loss attributable to Cabot Corporation								(92)			\$ (92)
Net income attributable to noncontrolling interests, net of tax \$1									2		2
Comprehensive income attributable to noncontrolling interests											\$ 2
Comprehensive loss										(90)	\$ (90)
Noncontrolling interests—dividends									(9)	(9)	
Cash dividends paid to common stockholders				(48)				(48)		(48)	
Issuance of stock under employee compensation plans, net of forfeitures	172	2	3					5		5	
Application of stock option accounting for restricted stock awards			(19)			19		—		—	
Amortization of share-based compensation			14					14		14	
Purchase and retirement of common and treasury stock	(141)	—	(1)					(1)		(1)	
Notes receivable for restricted stock — payments and forfeitures						2		2		2	
Principal payment by Employee Stock Ownership Plan under guaranteed loan					5			5		5	
Balance at September 30, 2009	65,309	\$ 63	\$ 18	\$ 1,018	\$ (25)	\$ —	\$ 60	\$ 1,134	\$ 103	\$ 1,237	

*The accompanying notes are an integral part of these consolidated financial statements*

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	Common Stock, Net of Treasury				Total						
	Stock		Additional		Deferred	Accumulated Other	Cabot Corporation	Non-		Total	
			Paid-in	Retained	Employee	Comprehensive	Stockholders'	controlling	Stockholders'	Comprehensive	
2010	Shares	Cost	Capital	Earnings	Benefits	Income	Equity	Interests	Equity	Income	
Balance at September 30, 2009	65,309	\$ 63	\$ 18	\$ 1,018	\$ (25)	\$ 60	\$ 1,134	\$ 103	\$ 1,237		
Net income attributable to Cabot Corporation				154						\$ 154	
Foreign currency translation adjustment, net of tax of \$4						43				43	
Change in employee benefit plans, net of tax of \$6						(15)				(15)	
Total other comprehensive income										\$ 28	
Comprehensive income attributable to Cabot Corporation							182			\$ 182	
Net income attributable to noncontrolling interests, net of tax of \$3								15		15	
Noncontrolling interests—foreign currency translation adjustment								2		2	
Comprehensive income attributable to noncontrolling interests										\$ 17	
Comprehensive income									199	\$ 199	
Contribution from noncontrolling interests								1	1		
Noncontrolling interest— dividends								(6)	(6)		
Cash dividends paid to common stockholders				(47)			(47)		(47)		
Issuance of stock under employee compensation plans, net of forfeitures	283	1	8				9		9		
Amortization of share-based compensation			18				18		18		
Purchase and retirement of common and treasury stock	(222)	(1)	(4)				(5)		(5)		
Principal payment by Employee Stock Ownership Plan under guaranteed loan					5		5		5		
Notes receivable for restricted stock-payments			6				6		6		
Balance at September 30, 2010	65,370	\$ 63	\$ 46	\$ 1,125	\$ (20)	\$ 88	\$ 1,302	\$ 115	\$ 1,417		

**CABOT CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)**  
**Years Ended September 30**  
**(In millions, except shares in thousands)**

**CABOT CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)**  
**Years Ended September 30**  
**(In millions, except shares in thousands)**

	Common Stock, Net of Treasury				Total					
	Stock		Additional		Deferred	Accumulated Other	Cabot Corporation	Non-	Total	
			Paid-in	Retained	Employee	Comprehensive	Stockholders'	controlling	Stockholders'	Comprehensive
2011	Shares	Cost	Capital	Earnings	Benefits	Income	Equity	Interests	Equity	Income
Balance at September 30, 2010	65,370	\$ 63	\$ 46	\$ 1,125	\$ (20)	\$ 88	\$ 1,302	\$ 115	\$ 1,417	
Net income attributable to Cabot Corporation				236						\$ 236
Foreign currency translation adjustment, net of tax of \$3						19				19
Change in unrealized loss on investments and derivative instruments, net of tax of \$—						(1)				(1)
Total other comprehensive income										\$ 18
Comprehensive income attributable to Cabot Corporation							254			\$ 254
Net income attributable to noncontrolling interests, net of tax of \$4								22		22
Noncontrolling interests—foreign currency translation adjustment								3		3
Comprehensive income attributable to noncontrolling interests										\$ 25
Comprehensive income									279	\$ 279
Noncontrolling interest— dividends								(11)	(11)	
Cash dividends paid to common stockholders				(47)			(47)		(47)	
Issuance of stock under employee compensation plans, net of forfeitures	294	1	7				8		8	
Amortization of share-based compensation			17				17		17	
Purchase and retirement of common and treasury stock	(1,803)	(1)	(58)				(59)		(59)	
Principal payment by Employee Stock Ownership Plan under guaranteed loan					6		6		6	
Notes receivable for restricted stock-payments			6				6		6	
Balance at September 30, 2011	63,861	\$ 63	\$ 18	\$ 1,314	\$ (14)	\$ 106	\$ 1,487	\$ 129	\$ 1,616	

*The accompanying notes are an integral part of these consolidated financial statements*

## Notes to Consolidated Financial Statements

### Note A. Significant Accounting Policies

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. The significant accounting policies of Cabot Corporation ("Cabot" or "the Company") are described below. Certain changes have been made to operating segment information for prior years to reflect changes made in the fourth quarter of fiscal 2011 related to changes in the Company's reporting segments.

In August 2011, the Company entered into an agreement to sell its Supermetals Business. The applicable assets and liabilities of the business have been classified as held for sale in the Consolidated Balance Sheets as of September 30, 2011 and 2010. Consolidated Statements of Operations for all periods presented have been recast to reflect the presentation of discontinued operations. Unless otherwise indicated, all disclosures and amounts in the Notes to Consolidated Financial Statements relate to the Company's continuing operations.

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of Cabot and its wholly-owned subsidiaries and majority-owned and controlled U.S. and non-U.S. subsidiaries. Additionally, Cabot considers consolidation of entities over which control is achieved through means other than voting rights, of which there were none in the periods presented. Intercompany transactions have been eliminated in consolidation.

#### *Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with a maturity of three months or less at date of acquisition. Cabot continually assesses the liquidity of cash and cash equivalents and, as of September 30, 2011, has determined that they are readily convertible to cash.

#### *Inventories*

Inventories are stated at the lower of cost or market. The cost of most U.S. inventories is determined using the last-in, first-out ("LIFO") method. The cost of other U.S. and all non-U.S. inventories is determined using the average cost method or the first-in, first-out ("FIFO") method.

#### *Investments*

The Company has investments in equity affiliates and marketable securities. As circumstances warrant, all investments are subject to periodic impairment reviews. Unless consolidation is required, investments in equity affiliates, where Cabot generally owns between 20% and 50% of the affiliate, are accounted for using the equity method. Cabot records its share of the equity affiliate's results of operations based on its percentage of ownership of the affiliate. Dividends received from equity affiliates are a return on investment and are recorded as a reduction to the equity investment value.

All investments in marketable securities are classified as available-for-sale and are recorded at fair value with the corresponding unrealized holding gains or losses, net of taxes, recorded as a separate component of other comprehensive income within stockholders' equity. Unrealized losses that are determined to be other-than-temporary, based on current and expected market conditions, are recognized in earnings. The fair value of marketable securities is determined based on quoted market prices at the balance sheet dates. The cost of marketable securities sold is determined by the specific identification method. Short-term investments consist of investments in marketable securities with maturities of one year or less. The Company's investment in marketable securities was immaterial as of both September 30, 2011 and 2010.

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### ***Property, Plant and Equipment***

Property, plant and equipment are recorded at cost. Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives. The depreciable lives for buildings, machinery and equipment, and other fixed assets are twenty to twenty-five years, ten to twenty years, and three to twenty-five years, respectively. The cost and accumulated depreciation for property, plant and equipment sold, retired, or otherwise disposed of are removed from the Consolidated Balance Sheets and resulting gains or losses are included in earnings in the Consolidated Statements of Operations. Expenditures for repairs and maintenance are charged to expenses as incurred. Expenditures for major renewals and betterments, which significantly extend the useful lives of existing plant and equipment, are capitalized and depreciated.

Cabot capitalizes interest costs when they are part of the historical cost of acquiring and constructing certain assets that require a period of time to get them ready for their intended use. During fiscal 2011, 2010 and 2009, Cabot capitalized \$2 million, \$1 million and \$4 million of interest costs, respectively. These amounts will be amortized over the life of the related assets.

### ***Goodwill and Other Intangible Assets***

Goodwill is comprised of the cost of business acquisitions in excess of the fair value assigned to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is reviewed for impairment at least annually. The annual review consists of the comparison of each reporting unit's carrying value to its fair value, which is performed as of March 31. Certain circumstances may give rise to an impairment assessment at a date other than the annual assessment date.

The fair value of a reporting unit is primarily based on discounted estimated future cash flows. The assumptions used to estimate fair value include management's best estimates of future growth rates, operating cash flows, capital expenditures, discount rates and market conditions over an estimate of the remaining operating period at the reporting unit level. If an impairment exists, a loss is recorded to write-down the value of goodwill to its implied fair value.

Cabot's intangible assets are primarily comprised of patented and unpatented technology and other intellectual property. Finite lived intangible assets are amortized over their estimated useful lives. Amortization expense was less than \$1 million in each of fiscal 2011, 2010 and 2009.

### ***Assets Held for Rent***

Assets held for rent represent cesium formate product in the Specialty Fluids Segment that will be rented to customers in the normal course of business. Assets held for rent are stated at average cost.

### ***Assets Held for Sale***

Cabot classifies its long-lived assets as held for sale when management commits to a plan to sell the assets, the assets are ready for immediate sale in their present condition, an active program to locate buyers has been initiated, the sale of the assets is probable and expected to be completed within one year, the assets are marketed at reasonable prices in relation to their fair value and it is unlikely that significant changes will be made to the plan to sell the assets. The Company measures the value of long-lived assets held for sale at the lower of the carrying amount or fair value, less cost to sell.

Assets and liabilities held for sale in the Consolidated Balance Sheets pertain to applicable assets and liabilities of the Supermetals business. See Note C for additional information.

### ***Asset Retirement Obligations***

Cabot estimates incremental costs for special handling, removal and disposal of materials that may or will give rise to conditional asset retirement obligations ("AROs") and then discounts the expected costs



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back to the current year using a credit adjusted risk free rate. Cabot recognizes ARO liabilities and costs when the timing and/or settlement can be reasonably estimated. The ARO reserves were \$7 million and \$10 million at September 30, 2011 and 2010, respectively.

### ***Impairment of Long-Lived Assets***

Cabot's long-lived assets primarily include property, plant and equipment, long-term investments, assets held for rent and sale and intangible assets. The carrying values of long-lived assets are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be recoverable. An asset impairment is recognized when the carrying value of the asset is not recoverable based on the probability-weighted undiscounted estimated future cash flows to be generated by the asset. Cabot's estimates reflect management's assumptions about selling prices, production and sales volumes, costs and market conditions over an estimate of the remaining operating period. If an impairment is indicated, the asset is written down to fair value. If the asset does not have a readily determinable market value, a discounted cash flow model may be used to determine the fair value of the asset. The key inputs to the discounted cash flow would be the same as the undiscounted cash flow noted above, with the addition of the discount rate used. In circumstances when an asset does not have separate identifiable cash flows, an impairment charge is recorded when Cabot is no longer using the asset.

### ***Foreign Currency Translation***

The functional currency of the majority of Cabot's foreign subsidiaries is the local currency in which the subsidiary operates. Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet dates. Income and expense items are translated at average monthly exchange rates during the year. Unrealized currency translation adjustments are accumulated as a separate component of other comprehensive income within stockholders' equity.

Realized and unrealized foreign currency gains and losses arising from transactions denominated in currencies other than the subsidiary's functional currency are reflected in earnings with the exception of (i) intercompany transactions considered to be of a long-term investment nature; and (ii) foreign currency borrowings designated as net investment hedges. Gains or losses arising from these transactions are included as a component of other comprehensive income. In fiscal 2011, 2010 and 2009, net foreign currency transaction losses of \$6 million, gains of less than \$1 million and losses of \$15 million, respectively, are included in Other expense in the Consolidated Statement of Operations as part of continuing operations.

### ***Financial Instruments***

Cabot's financial instruments consist primarily of cash and cash equivalents, accounts and notes receivable, investments, accounts payable and accrued liabilities, short-term and long-term debt, and derivative instruments. The carrying values of Cabot's financial instruments approximate fair value with the exception of long-term debt that has not been designated as part of a fair value hedge. The non-hedged long-term debt is recorded at amortized cost. The fair values of the Company's financial instruments are based on quoted market prices, if such prices are available. In situations where quoted market prices are not available, the Company relies on valuation models to derive fair value. Such valuation takes into account the ability of the financial counterparty to perform.

Cabot uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates and foreign currency exchange rates, which exist as part of its on-going business operations. Cabot does not enter into derivative contracts for speculative purposes, nor does it hold or issue any derivative contracts for trading purposes. All derivatives are recognized on the Consolidated Balance Sheets at fair value. Where Cabot has a legal right to offset derivative settlements under a master netting agreement with a counterparty, derivatives with that counterparty are presented on a net basis. The changes in the fair value of derivatives are recorded in either earnings or Accumulated other comprehensive income, depending

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on whether or not the instrument is designated as part of a hedge transaction and, if designated as part of a hedge transaction, the type of hedge transaction. The gains or losses on derivative instruments reported in Accumulated other comprehensive income are reclassified to earnings in the period in which earnings are affected by the underlying hedged item. The ineffective portion of all hedges is recognized in earnings during the period in which the ineffectiveness occurs.

In accordance with Cabot's risk management strategy, the Company may enter into certain derivative instruments that may not be designated as hedges for hedge accounting purposes. Although these derivatives are not designated as hedges, the Company believes that such instruments are closely correlated with the underlying exposure, thus managing the associated risk. The Company records in earnings the gains or losses from changes in the fair value of derivative instruments that are not designated as hedges. Cash movements associated with these instruments are presented in the Consolidated Statement of Cash Flows as Cash Flows from Operating Activities because the derivatives are designed to mitigate risk to the Company's cash flow from operations.

### ***Revenue Recognition***

Cabot recognizes revenue when persuasive evidence of a sales arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is probable. Cabot generally is able to ensure that products meet customer specifications prior to shipment. If the Company is unable to determine that the product has met the specified objective criteria prior to shipment or if title has not transferred because of sales terms, the revenue is considered "unearned" and is deferred until the revenue recognition criteria are met.

Shipping and handling charges related to sales transactions are recorded as revenue when billed to customers or included in the sales price. Shipping and handling costs are included in cost of sales.

The following table shows the relative size of the revenue recognized in each of the Company's reportable segments:

	Years ended September 30		
	2011	2010	2009
Core Segment	65%	63%	63%
Performance Segment	29%	30%	31%
New Business Segment	4%	4%	3%
Specialty Fluids Segment	2%	3%	3%

Cabot derives the substantial majority of revenues from the sale of products in the Core and Performance Segments. Revenue from these products is typically recognized when the product is shipped and title and risk of loss have passed to the customer. The Company offers certain customers cash discounts and volume rebates as sales incentives. The discounts and volume rebates are recorded as a reduction in sales at the time revenue is recognized and are estimated based on historical experience and contractual obligations. Cabot periodically reviews the assumptions underlying the estimates of discounts and volume rebates and adjust revenues accordingly.

Revenue in the New Business Segment is typically recognized when the product is shipped and title and risk of loss have passed to the customer. Depending on the nature of the contract with the customer, a portion of the segment's revenue may be recognized using proportional performance.

The majority of the revenue in the Specialty Fluids Segment arises from the rental of cesium formate. This revenue is recognized throughout the rental period based on the contracted rental terms. Customers are also billed and revenue is recognized, typically at the end of the job, for cesium formate product that is not returned. On occasion Cabot also makes sales of cesium formate outside of a rental process and revenue is recognized upon delivery of the fluid.

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### ***Accounts and Notes Receivable***

Trade receivables are recorded at the invoiced amount and do not bear interest. Trade receivables in China may at certain times be settled with the receipt of bank issued non-interest bearing notes, which represent the Company's notes receivable balance. These notes totaled 380 million Chinese Renminbi ("RMB") (\$60 million) and 143 million RMB (\$21 million) as of September 30, 2011 and 2010, respectively, and are included in accounts and notes receivable. Cabot periodically sells a portion of the trade receivables in China at a discount and such sales are accounted for as asset sales. The Company does not have any continuing involvement with the notes after the sale. The difference between the proceeds from the sale and the carrying value of the receivables is recognized as a loss on the sale of receivables and is included in other expense in the accompanying Consolidated Statements of Operations. During fiscal 2011, 2010 and 2009, the Company recorded charges of less than a million, \$2 million and \$1 million, respectively, for the sale of these receivables.

Cabot maintains allowances for doubtful accounts based on an assessment of the collectibility of specific customer accounts, the aging of accounts receivable and other economic information on both an historical and prospective basis. Customer account balances are charged against the allowance when it is probable the receivable will not be recovered. Changes in the allowance during fiscal 2011, 2010 and 2009 were immaterial. There is no off-balance sheet credit exposure related to customer receivable balances.

### ***Stock-based Compensation***

Cabot recognizes stock-based awards granted to employees as compensation expense using a fair value method. Under the fair value recognition provisions, stock-based compensation cost is measured at the grant date based on the fair value of the award, and is recognized as expense over the service period, which generally represents the vesting period, and includes an estimate of the awards that will be forfeited, and an estimate of what level of performance the Company will achieve for Cabot's performance-based stock awards. Cabot calculates the fair value of its stock options using the Black-Scholes option pricing model. The fair value of restricted stock and restricted stock units is determined using the closing price of Cabot stock on the day of the grant.

### ***Research and Technical Expenses***

Research and technical expenses include salaries, equipment and material expenditures, and contractor fees and are expensed as incurred.

### ***Income Taxes***

Deferred income taxes are determined based on the estimated future tax effects of differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred tax assets are recognized to the extent that realization of those assets is considered to be more likely than not.

A valuation allowance is established for deferred taxes when it is more likely than not that all or a portion of the deferred tax assets will not be realized. Provisions are made for the U.S. income tax liability and additional non-U.S. taxes on the undistributed earnings of non-U.S. subsidiaries, except for amounts Cabot has designated to be indefinitely reinvested.

Cabot records benefits for uncertain tax positions based on an assessment of whether the position is more likely than not to be sustained by the taxing authorities. If this threshold is not met, no tax benefit of the uncertain tax position is recognized. If the threshold is met, the tax benefit that is recognized is the largest amount that is greater than 50% likely of being realized upon ultimate settlement. This analysis presumes the taxing authorities' full knowledge of the positions taken and all relevant facts, but does not consider the time value of money. The Company also accrues for interest and penalties on its uncertain tax positions and includes such charges in its income tax provision in the Consolidated Statements of Operations.

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### ***Accumulated Other Comprehensive Income***

Accumulated other comprehensive income, which is included as a component of stockholders' equity, includes unrealized gains or losses on available-for-sale marketable securities and derivative instruments, currency translation adjustments in foreign subsidiaries, translation adjustments on foreign equity securities and minimum pension liability adjustments.

### ***Environmental Costs***

Cabot accrues environmental costs when it is probable that a liability has been incurred and the amount can be reasonably estimated. When a single liability amount cannot be reasonably estimated, but a range can be reasonably estimated, Cabot accrues the amount that reflects the best estimate within that range or the low end of the range if no estimate within the range is better. The amount accrued reflects Cabot's assumptions about remediation requirements at the contaminated site, the nature of the remedy, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. Cabot discounts certain of its long-term environmental liabilities to reflect the time value of money if the amount of the liability and the amount and timing of cash payments for the liability are fixed and reliably determinable. The liability will be discounted at a rate that will produce an amount at which the liability theoretically could be settled in an arm's length transaction with a third party. This discounted rate may not exceed the risk-free rate for maturities comparable to those of the liability. Cabot does not reduce its estimated liability for possible recoveries from insurance carriers. Proceeds from insurance carriers are recorded when realized by either the receipt of cash or a contractual agreement.

### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

## **Note B. Accounting Pronouncements**

### ***New and Adopted***

On October 1, 2010 the Company adopted authoritative guidance on the consolidation of variable interest entities. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities, and additional disclosures for variable interests. The impact of the adoption is not material to the consolidated financial statements.

In September 2011, the FASB issued amended guidance on testing goodwill for impairment. Companies will now have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If after considering the totality of events and circumstances an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, performing the two-step impairment is unnecessary. The amended guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 but early adoption is permitted. The Company will early adopt this amended guidance for its annual impairment test in fiscal 2012 and believes the impact will not be material to the consolidated financial statements.

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**Note C. Discontinued Operations**

***Cabot Supermetals Business***

In August 2011, the Company entered into a Sale and Purchase Agreement (the "Purchase Agreement") with Global Advanced Metals Pty Ltd., an Australian company ("GAM"), for the sale of substantially all of the assets of the Company's Supermetals Business in exchange for a minimum of \$401.5 million comprised of the following: (i) \$175 million payable in cash at the closing, subject to certain working capital adjustments at closing, (ii) \$175 million of 10.84% interest-bearing two-year promissory notes, which may be pre-paid by GAM at any time prior to maturity for an amount equal to \$215 million (consisting of principal, interest and a prepayment premium), secured by liens on the property and assets of the acquired business and guaranteed by the GAM corporate group, (iii) quarterly contingent cash payments to be made in each calendar quarter that the promissory notes are outstanding in an amount equal to 50% of Adjusted EBITDA of the acquired business for the relevant calendar quarter, guaranteed to be at least \$11.5 million for the first year following the closing of the transaction, and (iv) the assumption of certain liabilities associated with the Supermetals Business.

The parties expect the transaction to close by the end of calendar year 2011. Completion of the sale is subject to regulatory approval and certain other customary conditions. The Purchase Agreement is not subject to a financing condition.

In connection with the transaction, the parties have entered into a tantalum ore supply agreement under which the Company will sell to GAM all of the tantalum ore mined at the Company's mine in Manitoba, Canada for a period of three years following the closing of the transaction. The Company also entered into a transition services agreement for the Company to provide certain information technology applications and infrastructure and various administrative services to GAM during the transition period of six months from the closing date in exchange for one time and monthly service fees. GAM has the option to terminate such transition services with notice at any time and may elect to extend such services for up to three months. The future continuing cash flows from the disposed business to Cabot resulting from the tantalum ore supply agreement and transition services agreement are not significant and do not constitute a material continuing financial interest in the Supermetals Business.

The Supermetals Business, which had previously been presented as a separate reporting business, meets the criteria for being reported as a discontinued operation and has been segregated from continuing operations. The following table summarizes the results from discontinued operations:

	<b>Years Ended September 30</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>(Dollars in millions)</b>		
Net sales and other operating revenues	\$ 201	\$ 177	\$ 135
Income (loss) from operations before income taxes	84	42	(3)
(Provision) benefit for income taxes	(31)	(16)	1
Income (loss) from discontinued operations, net of tax	\$ 53	\$ 26	\$ (2)

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The following table summarizes the assets held for sale and the liabilities held for sale in the Company's Consolidated Balance Sheets:

	September 30,	
	2011	2010
	(Dollars in millions)	
<b>Assets</b>		
Accounts and notes receivable, net of reserve for doubtful accounts	\$ 41	\$ 36
Inventories	64	66
Prepaid expenses and other current assets	1	1
Total current assets held for sale	<u>\$ 106</u>	<u>\$ 103</u>
Net property, plant and equipment	\$ 39	\$ 38
Other assets	—	2
Total noncurrent assets held for sale	<u>\$ 39</u>	<u>\$ 40</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 12	\$ 16
Total current liabilities held for sale	<u>\$ 12</u>	<u>\$ 16</u>
Other liabilities	\$ 6	\$ 6
Total noncurrent liabilities held for sale	<u>\$ 6</u>	<u>\$ 6</u>

**Discontinued Operations – Other**

In addition to the divestiture of its Supermetals Business, the Company also has classified certain settlements associated with separate businesses divested ten or more years ago as part of Income (loss) from discontinued operations, net of tax in its Consolidated Statements of Operations for the fiscal years ended September 30, 2011 and 2009. These settlements resulted in net charges of less than \$1 million in each of these years. No such charges were recorded in fiscal 2010.

**Note D. Inventories**

Inventories, net of LIFO reserves, are as follows:

	September 30	
	2011	2010
	(Dollars in millions)	
Raw materials	\$ 120	\$ 94
Work in process	3	3
Finished goods	233	179
Other	37	31
Total	<u>\$ 393</u>	<u>\$ 307</u>

Inventories valued under the LIFO method comprised approximately 8% and 10% of total inventories at September 30, 2011 and 2010, respectively. At September 30, 2011 and 2010, the LIFO reserve was \$53 million and \$35 million, respectively. Other inventory is comprised of certain spare parts and supplies.

During fiscal 2009, inventory quantities were reduced at the Company's U.S. Rubber Blacks and Performance Products sites. These reductions led to liquidations of LIFO inventory quantities and resulted in a decrease of cost of goods sold of \$5 million and an increase in net income of \$3 million (\$0.06 per diluted common share) for fiscal 2009. No such reductions occurred in either fiscal 2011 or fiscal 2010.

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Cabot reviews inventory for both potential obsolescence and potential loss of value periodically. In this review, Cabot makes assumptions about the future demand for and market value of the inventory and, based on these assumptions, estimates the amount of obsolete, unmarketable or slow moving inventory. The inventory reserves were \$10 million as of both September 30, 2011 and 2010.

### **Note E. Investments**

**Equity Affiliates**—Cabot has investments in equity affiliates in the Rubber Blacks, Performance Products and Fumed Metal Oxides Businesses. These investments are accounted for using the equity method. Cabot does not disclose its equity affiliate financial statements separately by entity because none of them are individually material to the consolidated financial statements. The following table presents summarized whole business income statement and balance sheet information for all of Cabot's equity method investments.

	September 30		
	2011	2010	2009
	(Dollars in millions)		
Condensed Income Statement Information:			
Net sales	\$ 312	\$ 363	\$ 172
Gross profit	55	50	33
Net income	18	20	10
Condensed Balance Sheet Information:			
Current assets	\$ 109	\$ 141	\$ 87
Non-current assets	55	73	64
Current liabilities	38	32	34
Non-current liabilities	3	50	7
Net assets	123	132	110

At September 30, 2011 and 2010, Cabot had equity affiliate investments of \$60 million and \$61 million, respectively. Dividends declared from these investments were \$5 million, \$6 million and \$1 million in fiscal 2011, 2010 and 2009, respectively.

### **Note F. Property, Plant and Equipment**

Property, plant and equipment is summarized as follows:

	September 30	
	2011	2010
	(Dollars in millions)	
Land and land improvements	\$ 73	\$ 69
Buildings	479	475
Machinery and equipment	2,076	2,011
Other	162	221
Construction in progress	177	102
Total property, plant and equipment	2,967	2,878
Less: accumulated depreciation	(1,931)	(1,941)
Net property, plant and equipment	<u>\$ 1,036</u>	<u>\$ 937</u>

Depreciation expense was \$138 million, \$137 million and \$164 million for fiscal 2011, 2010 and 2009, respectively.

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**Note G. Goodwill and Other Intangible Assets**

Cabot had goodwill balances of \$40 million and \$39 million at September 30, 2011 and 2010, respectively. The carrying amount of goodwill attributable to each reporting unit with goodwill balances and the changes in those balances during the years ended September 30, 2011 and 2010 are as follows:

	<b>Rubber Blacks</b>	<b>Fumed Metal Oxides</b>	<b>Security Materials</b>	<b>Total</b>
	<b>(Dollars in millions)</b>			
Balance at September 30, 2009	\$ 26	\$ 11	\$ —	\$ 37
Goodwill acquired <sup>(1)</sup>	—	—	1	1
Foreign currency translation adjustment	1	—	—	1
Balance at September 30, 2010	27	11	1	39
Foreign currency translation adjustment and other	—	—	1	1
Balance at September 30, 2011	<u>\$ 27</u>	<u>\$ 11</u>	<u>\$ 2</u>	<u>\$ 40</u>

<sup>(1)</sup> Goodwill acquired relates to the acquisition of Oxonica Materials Inc. in Security Materials.

Impairment tests are performed at least annually. The Company performed its annual impairment assessment as of March 31 of each year and determined that there were no impairments for any of the years presented.

Cabot does not have any indefinite-lived intangible assets. Finite-lived intangible assets which are included in Other assets in the Consolidated Balance Sheets consist of the following:

	<b>Years Ended September 30</b>					
	<b>2011</b>			<b>2010</b>		
	<b>Gross Carrying Value</b>	<b>Accumulated Amortization</b>	<b>Net Intangible Assets</b>	<b>Gross Carrying Value</b>	<b>Accumulated Amortization</b>	<b>Net Intangible Assets</b>
	<b>(Dollars in millions)</b>					
Patents	\$ 2	\$ (2)	\$ —	\$ 2	\$ (2)	\$ —
Other intangible assets <sup>(1)</sup>	3	—	3	3	—	3
<b>Total intangible assets</b>	<u>\$ 5</u>	<u>\$ (2)</u>	<u>\$ 3</u>	<u>\$ 5</u>	<u>\$ (2)</u>	<u>\$ 3</u>

<sup>(1)</sup> Other intangible assets relates to the acquisition of Oxonica Materials Inc. in Security Materials in fiscal 2010.

Intangible assets are amortized over their estimated useful lives, which range from six to fourteen years, with a weighted average amortization period of twelve years. Amortization expense amounted to less than \$1 million in each of fiscal 2011, 2010 and 2009 and is included in cost of goods sold in the Consolidated Statements of Operations. Amortization expense is estimated to be less than \$1 million in each of the next five fiscal years.

In July 2010, Cabot acquired 100% of the outstanding equity of Oxonica Materials Inc. ("OMI") from Oxonica Plc for total consideration of \$5 million. OMI, now named Cabot Security Materials Inc., is developing surface enhanced raman scattering materials and detection methods, which are expected to expand Cabot's portfolio of security technologies.



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**Note H. Accounts Payable, Accrued Liabilities and Other Liabilities**

Accounts payable and accrued liabilities included in current liabilities consist of the following:

	September 30	
	2011	2010
	(Dollars in millions)	
Accounts payable	\$ 330	\$ 292
Accrued employee compensation	44	58
Accrued severance and restructuring	11	21
Other accrued liabilities	76	60
<b>Total</b>	<b>\$ 461</b>	<b>\$ 431</b>

Other long-term liabilities consist of the following:

	September 30	
	2011	2010
	(Dollars in millions)	
Employee benefit plan liabilities	\$ 161	\$ 160
Non-current tax liabilities	50	63
Financial instrument liabilities	39	39
Other accrued liabilities	49	56
<b>Total</b>	<b>\$ 299</b>	<b>\$ 318</b>

**Note I. Debt and Other Obligations**

The Company's long-term obligations, the calendar year in which they mature and their respective interest rates are summarized below:

	September 30	
	2011	2010
	(Dollars in millions)	
<b>Variable Rate Debt:</b>		
\$550 million Revolving Credit Facility, expires 2016	\$ —	\$ —
Chinese Renminbi Notes, due through 2012, 5.40%	15	16
<b>Total variable rate debt</b>	<b>15</b>	<b>16</b>
<b>Fixed Rate Debt:</b>		
5% Notes due 2016	\$ 300	\$ 300
<b>Medium Term Notes:</b>		
Notes due 2011, 7.26%	\$ —	\$ 15
Notes due 2012, 7.70%—8.28%	30	30
Note due 2018, 7.42%	30	30
Notes due 2022, 8.346%—8.47%	15	15
Note due 2027, 6.57%—7.28%	8	8
<b>Total Medium Term Notes</b>	<b>83</b>	<b>98</b>
Eurobond, due 2013, 5.25%	178	179
ESOP Note, due 2013, 8.29%	14	20
Chinese Renminbi Notes, due 2012, 6.10%	5	4
Other, due 2027, 2%	5	5
<b>Total fixed rate debt</b>	<b>585</b>	<b>606</b>
Capital lease obligations, due through 2031	15	3
Unamortized debt discount	(2)	(2)
<b>Total debt</b>	<b>613</b>	<b>623</b>
Less current portion of long-term debt	(57)	(23)
<b>Total long-term debt</b>	<b>\$ 556</b>	<b>\$ 600</b>

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***\$550 million Revolving Credit Facility***—In August 2011, Cabot entered into a new committed unsecured revolving credit agreement. The credit agreement provides for a \$550 million revolving credit facility through August 2016 and replaced the Company's previous \$450 million revolving credit facility which was scheduled to expire in June 2014. The credit agreement contains an option, subject to the lenders' approval, to increase the facility to \$750 million. All borrowings under the credit agreement will be based on variable interest rates. Generally, the interest rates are based upon LIBOR plus a spread. This spread, which was 1.125% as of September 30, 2011, is based on the Company's credit rating. Amounts committed under the credit agreement can also be utilized to provide letters of credit in certain circumstances. Previously issued letters of credit in the aggregate amount of approximately \$29 million are treated as issued under the credit agreement as of September 30, 2011. The Company plans to use the credit agreement for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, and acquisitions. The credit agreement contains affirmative, negative and financial covenants and events of default customary for financings of this type. The financial covenants in the credit agreement include interest coverage, debt-to-EBITDA and subsidiary debt to total capitalization ratios. As of September 30, 2011, there were no outstanding drawn borrowings against this facility.

***Chinese Renminbi Debt***—The Company's consolidated Chinese subsidiaries had \$20 million of unsecured long-term debt outstanding at both September 30, 2011 and 2010.

***5% Notes due 2016***—In fiscal 2009, Cabot issued \$300 million in public notes with a coupon of 5% that will mature on October 1, 2016. These notes are unsecured and pay interest on April 1 and October 1 of each year. The net proceeds of this offering were \$296 million after deducting discounts and issuance costs. The discount of approximately \$2 million was recorded at issuance and is being amortized over the life of the notes. A portion of the proceeds was used to repay the outstanding indebtedness under the Company's revolving credit facility in fiscal 2009.

***Medium Term Notes***—At September 30, 2011 and 2010, there were \$83 million and \$98 million, respectively, of unsecured medium term notes outstanding issued to numerous lenders with various fixed interest rates and maturity dates. The weighted average maturity of the total outstanding medium term notes is 6.5 years with a weighted average interest rate of 7.9%. Certain of the medium term notes are designated as fair value hedges and accordingly are recorded at fair value. As described in Note L, the Company has entered into variable interest rate swaps for certain designated medium term notes to offset the changes in the fair value of the underlying debt.

***Eurobond***—A European subsidiary issued an unsecured \$175 million U.S. dollar denominated bond with a fixed coupon rate of 5.25% in fiscal 2003. The functional currency of this subsidiary is the euro. The bond matures on September 1, 2013, with interest due on March 1 and September 1 of each year. A discount of approximately \$1 million was recorded at issuance and is being amortized over the life of the bond. A portion of the eurobond is designated as a fair value hedge and accordingly is recorded at fair value. As described in Note L, the Company has entered into cross-currency swaps and a variable interest rate swap to hedge the variability in cash flows for changes in the exchange rates and to offset a portion of the changes in the fair value of the underlying debt.

***ESOP Debt***—In November 1988, Cabot's Employee Stock Ownership Plan ("ESOP") borrowed \$75 million from an institutional lender in order to finance its purchase of Cabot shares. This debt bears interest at 8.29% per annum and is to be repaid in quarterly installments through December 31, 2013. Cabot, as guarantor, has reflected the outstanding balance of \$14 million and \$20 million as long-term debt in the Consolidated Balance Sheets at September 30, 2011 and 2010, respectively. An equal amount, representing deferred employee benefits, has been recorded as a reduction to stockholders' equity. Cabot contributed \$4 million to the ESOP to service the debt during fiscal 2011, and \$4 million for each of fiscal 2010 and 2009. Dividends on ESOP shares used for debt service were \$2 million during fiscal 2011 and \$3 million during each of fiscal 2010 and 2009. In addition, interest incurred on the ESOP debt was \$1 million, \$2 million, and \$2 million during fiscal 2011, 2010 and 2009, respectively.

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**Capital Lease Obligations**—Cabot had capital lease obligations for certain equipment and buildings with a present value of \$15 million and \$3 million at September 30, 2011 and 2010, respectively. Cabot will make payments totaling \$29 million over the next 20 years, including \$14 million of imputed interest. At September 30, 2011 and 2010, the original cost of capital lease assets was \$24 million and \$11 million, respectively, and the associated accumulated depreciation of assets under capital leases was \$10 million and \$8 million at September 30, 2011 and 2010, respectively. The amortization related to those assets under capital lease is included in depreciation expense.

**Future Years Payment Schedule**

The aggregate principal amounts of long-term debt and capital lease obligations due in each of the five years from fiscal 2012 through 2016 are as follows:

Fiscal Years Ended	Principal payments on long term debt <sup>(1)</sup>	Payments on Capital Lease Obligations	Total
	(Dollars in millions)		
2012	\$ 56	\$ 1	\$ 57
2013	182	1	183
2014	2	1	3
2015	—	1	1
2016	300	1	301
Thereafter	57	10	67
Total	\$ 597	\$ 15	\$ 612

<sup>(1)</sup> Payment of long-term debt excludes settlements of cross currency swaps.

**Standby letters of credit**—At September 30, 2011, the Company had provided standby letters of credit that were outstanding and not drawn totaling \$37 million, which expire through fiscal 2012. The \$37 million includes \$29 million treated as issued under the credit agreement discussed previously and an additional \$8 million of other standby letters of credit.

**Short-term Notes Payable to Banks**—The Company had unsecured short-term notes payable to banks of \$86 million and \$29 million as of September 30, 2011 and 2010, respectively, with a maturities of less than one year. The weighted-average interest rate on short-term notes payable was 5.3% and 4.6% for fiscal 2011 and 2010, respectively.

**Note J. Fair Value Measurements**

The FASB authoritative guidance on fair value measurements defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The disclosures focus on the inputs used to measure fair value. The guidance establishes the following hierarchy for categorizing these inputs:

- Level 1 — Quoted market prices in active markets for identical assets or liabilities
- Level 2 — Significant other observable inputs (e.g., quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs)
- Level 3 — Significant unobservable inputs

There were no transfers between level 1 and level 2, or transfers into or out of level 3, during fiscal 2011 or 2010.

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The following table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and 2010. The derivatives presented in the table below are presented by derivative type, net of the legal right to offset derivative settlements by each counterparty:

	September 30	
	2011	2010
	Level 2 Inputs	Level 2 Inputs
	(Dollars in Millions)	
Assets at fair value:		
Guaranteed investment contract <sup>(1)</sup>	\$ 14	\$ 14
Derivatives relating to interest rates <sup>(2)</sup>	3	5
Total assets at fair value	\$ 17	\$ 19
Liabilities at fair value:		
Derivatives relating to foreign currency <sup>(2)</sup>	\$ 41	\$ 42
Hedged long-term debt	61	77
Total liabilities at fair value	\$ 102	\$ 119

<sup>(1)</sup> Included in "Other assets" in the Consolidated Balance Sheets.

<sup>(2)</sup> Included in "Prepaid expenses and other current assets", "Other assets", "Accounts payable and accrued liabilities" and "Other liabilities" in the Consolidated Balance Sheets.

During fiscal 2010, Cabot's management concluded that the carrying value of land related to a former carbon black facility exceeded its fair value of \$6 million based on a comparison of similar facilities in the region. Accordingly, the Company recorded an impairment charge of \$2 million within Cost of sales in the Consolidated Statement of Operations to write this land down to its fair value. During fiscal 2011, there was an additional impairment charge of less than \$1 million on the same land. The fair value of the land, which remains at \$6 million, is included in Other assets in the Consolidated Balance Sheets.

## Note K. Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments at September 30, 2011 and 2010 are as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in millions)			
Assets:				
Cash and cash equivalents	\$ 286	\$ 286	\$ 387	\$ 387
Accounts and notes receivable	659	659	540	540
Derivative instruments	1	1	2	2
Liabilities:				
Notes payable to banks	86	86	29	29
Accounts payable and accrued liabilities	461	461	431	431
Long-term debt—fixed rate	585	633	604	661
Long-term debt—floating rate	15	15	16	16
Capital lease obligations	15	15	3	3
Derivative instruments	39	39	39	39

At September 30, 2011 and 2010, the fair values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities, and notes payable to banks approximated carrying values due to the short-term nature of these instruments. The estimated fair values of derivative instruments

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are valued as described in Note J. The fair value of Cabot's fixed rate long-term debt and capital lease obligations are estimated based on comparable quoted market prices where available, or estimated using current interest rates at the respective period ends. The carrying amounts of Cabot's floating rate long-term debt approximate their fair value.

**Note L. Financial Instruments**

***Risk Management***

Cabot's business operations are exposed to changes in interest rates, foreign currency exchange rates and commodity prices because Cabot finances certain operations through long and short-term borrowings, denominates transactions in a variety of foreign currencies and purchases certain commoditized raw materials. Changes in these rates and prices may have an impact on future cash flows and earnings. The Company manages these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments.

The Company has policies governing the use of derivative instruments and does not enter into financial instruments for trading or speculative purposes.

By using derivative instruments, Cabot is subject to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, Cabot's credit risk will equal the fair value of the derivative. Generally, when the fair value of a derivative contract is positive, the counterparty owes Cabot, thus creating a payment risk for Cabot. The Company minimizes counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating. As of September 30, 2011, the counterparties with which the Company has executed derivatives carried a Standard and Poor's credit rating between A- and AA-, inclusive. Cabot's exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow. No significant concentration of credit risk existed at September 30, 2011.

***Interest Rate Risk Management***

Cabot's objective is to maintain a certain fixed-to-floating interest rate mix on the Company's debt portfolio. Cabot enters into interest rate swaps as a hedge of the underlying debt instruments to effectively change the characteristics of the interest rate without changing the debt instrument. The following table provides details of the derivatives held as of September 30, 2011 and 2010 to manage interest rate risk.

Description	Borrowing	Notional Amount		Hedge Designation
		September 30, 2011	September 30, 2010	
Interest Rate Swap—Fixed to Variable	Eurobond (20% of \$175 million)	USD 35 million	USD 35 million	Fair Value
Interest Rate Swap—Fixed to Variable <sup>(1)</sup>	Medium Term Notes	—	USD 15 million	Fair Value
Interest Rate Swap—Fixed to Variable	Medium Term Notes	USD 8 million	USD 8 million	Fair Value
Interest Rate Swap—Fixed to Variable	Medium Term Notes	USD 5 million	USD 5 million	Fair Value
Interest Rate Swap—Fixed to Variable	Medium Term Notes	USD 5 million	USD 5 million	Fair Value
Interest Rate Swap—Fixed to Variable	Medium Term Notes	USD 5 million	USD 5 million	Fair Value

<sup>(1)</sup> Cabot's interest rate swap derivative instrument and the hedged debt borrowing matured during fiscal 2011.

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### **Foreign Currency Risk Management**

Cabot's international operations are subject to certain risks, including currency exchange rate fluctuations and government actions. Cabot endeavors to match the currency in which debt is issued to the currency of the Company's major, stable cash receipts. In some situations Cabot has issued debt denominated in U.S. dollars and then entered into cross currency swaps that exchange the dollar principal and interest payments into a currency where the Company expects long-term, stable cash receipts.

Additionally, the Company has foreign currency exposure arising from its net investments in foreign operations. Cabot, from time to time, enters into cross-currency swaps to mitigate the impact of currency rate changes on the Company's net investments.

The Company also has foreign currency exposure arising from the denomination of assets and liabilities in foreign currencies other than the functional currency of a given subsidiary as well as the risk that currency fluctuations could affect the dollar value of future cash flows generated in foreign currencies. Accordingly, Cabot uses short-term forward contracts to minimize the exposure to foreign currency risk. These forward contracts typically have a duration of 30 days.

In certain situations where the Company has forecasted purchases under a long-term commitment or forecasted sales denominated in a foreign currency, Cabot may enter into appropriate financial instruments in accordance with the Company's risk management policy to hedge future cash flow exposures. The following table provides details of the derivatives held as of September 30, 2011 and 2010 to manage foreign currency risk.

Description	Borrowing	Notional Amount		Hedge Designation
		September 30, 2011	September 30, 2010	
Cross Currency Swap	Eurobond (80% of \$175 million)	USD 140 million swapped to EUR 124 million	USD 140 million swapped to EUR 124 million	No designation
Cross Currency Swap	Eurobond (20% of \$175 million)	USD 35 million swapped to EUR 31 million	USD 35 million swapped to EUR 31 million	No designation
Forward Foreign Currency Contracts <sup>(1)</sup>	N/A	USD 54 million	USD 23 million	No designation
Forward Foreign Currency Contracts <sup>(2)</sup>	N/A	JPY 12 million	—	Cash Flow

<sup>(1)</sup> Cabot's forward foreign exchange contracts are denominated primarily in the Australian dollar, British pound sterling, Canadian dollar, Euro, and Japanese yen.

<sup>(2)</sup> Cabot's forward foreign exchange contracts designated as cash flow hedges were entered into during fiscal 2011.

### **Commodity Risk Management**

Certain of Cabot's carbon black plants in Europe are subject to mandatory greenhouse gas emission trading schemes. Cabot's objective is to ensure compliance with the European Union Emission Trading Scheme, which is based upon a Cap-and-Trade system that establishes a maximum allowable emission credit for each ton of CO<sub>2</sub> emitted. European Union Allowances ("EUA") originate from the individual EU member state's country allocation process and are issued by that country's government. A company that has an excess of EUAs based on the CO<sub>2</sub> emissions limits may sell EUAs in the Emission Trading Scheme and if they have a shortfall, a company can buy EUAs or Certified Emission Reduction ("CER") units to comply.

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In order to limit variability in cost to Cabot's European operations, the Company purchased CERs and sold EUAs, which settle each December until 2012. The following table provides details of the derivatives held as of September 30, 2011 and 2010 to manage commodity risk.

Description	Net Buyer / Net Seller	Notional Amount		Hedge Designation
		September 30, 2011	September 30, 2010	
CERs	Buyer	EUR 1 million	EUR 2 million	No designation
EUAs	Seller	EUR 1 million	EUR 2 million	No designation

### *Accounting for Derivative Instruments and Hedging Activities*

The Company determines the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available for various types of financial instruments (such as forwards, options and swaps), the Company uses standard models with market-based inputs, which take into account the present value of estimated future cash flows and the ability of the financial counterparty to perform.

#### *Fair Value Hedge*

For interest rate swaps designated as fair value hedges, the Company uses standard models with market-based inputs. The significant inputs to these models are interest rate curves for discounting future cash flows. For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current period earnings.

#### *Cash Flow Hedge*

For cross currency swaps and foreign currency forward contracts designated as cash flow hedges, the Company uses standard models with market-based inputs. The significant inputs to these models are interest rate curves for discounting future cash flows, and exchange rate curves of the foreign currency for translating future cash flows. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is recorded in Accumulated other comprehensive income and reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current period earnings.

#### *Net Investment Hedge*

For cross currency swaps designated as net investment hedges, the Company uses standard models with market-based inputs. The significant inputs to these models are interest rate curves for discounting future cash flows. For net investment hedges, changes in the fair value of the effective portion of the derivatives' gains or losses are reported as foreign currency translation gains or losses in Accumulated other comprehensive income while changes in the ineffective portion are reported in earnings. The gains or losses on derivative instruments reported in Accumulated other comprehensive income are reclassified to earnings in the period in which earnings are affected by the underlying item, such as a disposal or substantial liquidation of the entities being hedged.

As of September 30, 2011, there were no open derivatives designated as net investment hedges. During the first quarter of fiscal 2010, the Company's derivative instrument, which swapped \$20 million to JPY 2.5 billion, matured leading to a cash settlement payment of \$7 million in that period. The cumulative loss related to this net investment hedge recorded in Accumulated other comprehensive income as of both September 30, 2011 and 2010 was \$27 million.

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### *Other Derivative Instruments*

From time to time, the Company may enter into certain derivative instruments that may not be designated as hedges for accounting purposes, which include cross currency swaps, foreign currency forward contracts and commodity derivatives. For cross currency swaps and foreign currency forward contracts not designated as hedges, the Company uses standard models with market-based inputs. The significant inputs to these models are interest rate curves for discounting future cash flows, and exchange rate curves of the foreign currency for translating future cash flows. In determining the fair value of the commodity derivatives, the significant inputs to valuation models are quoted market prices of similar instruments in active markets. Although these derivatives do not qualify for hedge accounting, Cabot believes that such instruments are closely correlated with the underlying exposure, thus managing the associated risk. The gains or losses from changes in the fair value of derivative instruments that are not accounted for as hedges are recognized in current period earnings.

### *Derivative Activity and Balance Classification*

On January 1, 2009, Cabot adopted the authoritative guidance issued by the FASB on disclosures about derivative instruments and hedging activities. Disclosure regarding the impact on earnings of amounts reclassified from other comprehensive income, as required by this guidance, has not been included for fiscal 2009 as it was not material and the guidance was effective only for the last three quarters of fiscal 2009.

During fiscal 2011, for derivatives designated as hedges, the change in unrealized gains in Accumulated other comprehensive income, the hedge ineffectiveness recognized in earnings, the realized gains or losses reclassified from Accumulated other comprehensive income, and the losses reclassified from Accumulated other comprehensive income to earnings were immaterial. During fiscal 2011, a loss of \$2 million was recognized in earnings as a result of the remeasurement to Euros of the \$175 million bond held by one of Cabot's European subsidiaries. This loss, which was recognized in earnings through Other expense within the Consolidated Statement of Operations, was offset by a gain of \$1 million from Cabot's cross currency swaps that are not designated as hedges, but which Cabot entered into to offset the foreign currency translation exposure on the debt. Additionally, during fiscal 2011, Cabot recognized in earnings through Other expense within the Consolidated Statement of Operations, gains of \$3 million related to its foreign currency forward contracts, which were not designated as hedges.

During fiscal 2010, for derivatives designated as hedges, the change in unrealized gains in Accumulated other comprehensive income and the hedge ineffectiveness recognized in earnings was immaterial. Additionally, during this period, there were no gains or losses reclassified from Accumulated other comprehensive income to earnings. During fiscal 2010, a loss of \$14 million was recognized in earnings as a result of the remeasurement to Euros of the \$175 million bond held by one of Cabot's European subsidiaries. This loss, which was recognized in earnings through Other expense within the Consolidated Statement of Operations, was offset by a gain of \$16 million from Cabot's cross currency swaps that are not designated as hedges, but which Cabot entered into to offset the foreign currency translation exposure on the debt. Additionally, during fiscal 2010, Cabot recognized in earnings through Other expense within the Consolidated Statement of Operations, gains of \$7 million related to its foreign currency forward contracts, which were not designated as hedges.



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The following table provides the fair value and Consolidated Balance Sheets presentations of derivative instruments by each derivative type, without regard to the legal right to offset derivative settlement by each counterparty:

Fair Value of Derivative Instruments	Consolidated Balance Sheet Caption	September 30,	September 30,
		2011	2010
		(Dollars in millions)	
Asset Derivatives			
Derivatives designated as hedges Interest rate <sup>(1)</sup>	Prepaid expenses and other current assets and Other liabilities	\$ 3	\$ 5
Total derivatives designated as hedges		\$ 3	\$ 5
Derivatives not designated as hedges Foreign currency	Prepaid expenses and other current assets	\$ 1	\$ —
Commodity contracts <sup>(2)</sup>	Prepaid expenses and other current assets, and Other assets	1	2
Total derivatives not designated as hedges		\$ 2	\$ 2
Total Asset Derivatives		\$ 5	\$ 7
Liability Derivatives			
Derivatives designated as hedges Foreign currency	Accounts payable and accrued liabilities	\$ 1	\$ —
Total derivatives designated as hedges		\$ 1	\$ —
Derivatives not designated as hedges Foreign currency <sup>(1)</sup>	Accounts payable and accrued liabilities, and Other liabilities	\$ 41	\$ 42
Commodity contracts <sup>(2)</sup>	Prepaid expenses and other current assets, and Other assets	1	2
Total derivatives not designated as hedges		\$ 42	\$ 44
Total Liability Derivatives		\$ 43	\$ 44

<sup>(1)</sup> Contracts of \$3 million and \$4 million presented on a gross basis in this table at September 30, 2011 and 2010, respectively, have the legal right to offset against other types of contracts with a common counterparty and, therefore, are presented on a net basis in noncurrent "Other liabilities" in the consolidated balance sheet.

<sup>(2)</sup> Contracts in an asset and liability position presented on a gross basis in this table have the legal right of offset and, therefore, are presented on a net basis in "Prepaid expenses and other current assets" and noncurrent "Other assets" in the consolidated balance sheet.

See Note J "Fair Value Measurements" for classification of derivatives by input level. The net after-tax amounts to be reclassified from accumulated other comprehensive income to earnings within the next 12 months are expected to be immaterial.

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**Note M. Venezuela**

Cabot owns 49% of an operating affiliate in Venezuela, which is accounted for as an equity affiliate, through wholly owned subsidiaries that carry the investment and receive its dividends. As of September 30, 2011, these subsidiaries carried the operating affiliate investment of \$26 million and held 21 million bolivars (\$5 million) in cash and dividends receivable. Historically, the operating affiliate pays dividends to Cabot's wholly owned subsidiaries either in bolivars or in U.S. dollars. Prior to 2009, dividends denominated in bolivars were received and then repatriated outside Venezuela in exchange for U.S. dollars. Over the past several years, however, there have been significant efforts on the part of the Venezuelan government to control the outflows of U.S. dollars from the country. These efforts include controls over when and if U.S. dollars can be repatriated and the enforcement of strict bolivar/U.S. dollar conversion rate standards, which effectively fix the exchange rate at 4.30B/\$. Accordingly, the repatriation of dividends has become difficult.

Given the uncertainties around the convertibility of the Venezuelan bolivar to the U.S. dollar and the ability of entities to actually repatriate U.S. dollars from Venezuela, the Company has endeavored, whenever possible, to repatriate the Company's cash from its Venezuelan subsidiaries using available mechanisms. At the same time, management has closely monitored its investment in the operating affiliate in Venezuela to ensure that the investment continues to be recoverable. The Company has repatriated \$1 million from Venezuela in fiscal 2011 and none in fiscal 2010.

In January 2010, the Venezuelan government announced a devaluation of the bolivar from 2.15B/\$ to two official rates set by the Venezuelan Central Bank, an essentials rate at 2.60 B/\$ and a non-essentials rate at 4.30 B/\$. The latter rate is the rate that Cabot believes would continue to be available to the operating affiliate to transact its ordinary activities. In January 2011, the essentials exchange rate was increased from 2.60 B/\$ to 4.30 B/\$, making the essentials rate equal to the non-essentials rate.

Cabot determined, as of January 1, 2010, that the Venezuelan economy was highly inflationary. Accordingly, since the second quarter of fiscal 2010, Cabot has remeasured all transactions of the operating affiliate denominated in bolivars to U.S. dollars using the rate of 4.30 B/\$. Because the exchange rate has remained stable for all the periods presented since the determination that the operating subsidiary was operating in an hyperinflationary environment, the amounts recorded in the income statement relative to translation gains or losses have amounted to less than \$1 million in each of fiscal 2011 and 2010.

The Company still intends to convert substantially all bolivars held by its Venezuelan subsidiaries to U.S. dollars as soon as practical and continues to monitor for opportunities to convert its bolivars through Venezuelan government, or government backed, bond offerings.

While the events relating to official exchange rate movements did not have a material impact on Cabot's operating affiliate, the Company continues to monitor developments in Venezuela and their potential impact on it. Cabot uses a discounted cash flow model to determine if investments are impaired when triggering events such as changes in the business environment occur. Critical considerations of the model include the profitability of the operating affiliate and the ability to repatriate its earnings. Based on the profitability of the operating affiliate and uncertainty concerning the continuation of the current currency restrictions, as evidenced by the successful remittance of dividends in fiscal 2011, the Company does not believe that the investment in the operating affiliate is impaired.

**Note N. Employee Benefit Plans**

Cabot provides both defined benefit and defined contribution plans for its employees. The defined benefit plans consist of the Cabot Cash Balance Plan ("CBP"), a Supplemental Cash Balance Plan ("SCBP") and several foreign pension plans. The defined contribution plans consist of the Cabot Retirement Savings Plan ("RSP"), a Supplemental Retirement Savings Plan ("SRSP") and several foreign plans. Cabot also provides postretirement benefit plans, which include medical coverage and life insurance.

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All information included in this footnote and the related tables include amounts pertaining to the Company's Supermetals Business, unless indicated otherwise.

### ***Defined Contribution Plans***

Cabot recognized expenses related to U.S. and foreign defined contribution plans of \$7 million in fiscal year 2011 and \$9 million in each of fiscal year 2010 and 2009.

#### ***Retirement Savings Plan***

The RSP is a U.S. defined contribution plan, which encourages long-term systematic savings and provides funds for retirement or possible earlier needs. The RSP has two components, a 401(k) plan and an Employee Stock Ownership Plan ("ESOP").

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

The 401(k) component of the plan allows an eligible participant to contribute a percentage of his or her eligible compensation on a before-tax or after-tax basis. For employees not subject to a collective bargaining agreement, Cabot makes a matching contribution of 75% of a participant's contribution of up to 7.5% of the participant's eligible compensation, making the maximum matching contribution an amount equal to 5.625% of a participant's eligible compensation. This matching contribution is in the form of Cabot common stock and is made on a quarterly basis.

##### ***Employee Stock Ownership Plan***

Other than certain employees subject to collective bargaining agreements, all eligible employees of Cabot and its participating subsidiaries in the U.S. participate in the ESOP component of the plan. Under the ESOP, which is 100% Company funded, 108,696.645 shares of Cabot common stock are allocated to participants' accounts at the end of each quarter. These ESOP allocations will continue to be made quarterly until December 31, 2013, at which point all shares available for distribution under the ESOP will have been allocated to participant accounts. These shares are allocated based on a pre-determined formula. Cabot has established a minimum and maximum contribution percentage of total eligible pay of 4% and 8%, respectively. The actual contribution percentage in any given quarter varies depending on Cabot's stock price on the last day of the relevant quarter, the total eligible compensation and the amount of the dividends allocated to participants. If the calculated contribution allocation falls below 4%, the Company makes an additional contribution in the form of Cabot common stock to bring the total contribution to 4% for the participant. If the calculated contribution allocation exceeds 8% of eligible compensation, the excess shares are used to fund the Company match on the 401(k) contributions. If there are still shares remaining after the Company match has been allocated, the remaining shares are allocated to all participants in the ESOP as additional contribution shares. Compensation expense related to the ESOP was \$4 million in each of fiscal year 2011, 2010 and 2009.

#### ***Supplemental Retirement Savings Plan***

Cabot's SRSP provides benefits to highly compensated employees in circumstances in which the maximum limits established under the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Code prevent them from receiving Company matching and ESOP contributions provided under the qualified RSP. The SRSP is non-qualified and unfunded. See Note O for further information on the SRSP.

### ***Defined Benefit Plans***

Defined benefit plans provide pre-determined benefits to employees that are distributed upon retirement. Measurement of defined benefit pension expense is based on assumptions used to value the defined benefit pension liability (including assets) at the beginning of the year. The CBP and certain foreign

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pension plans generally use the straight-line method of amortization over five years for the unrecognized net gains and losses. Cabot used a September 30 measurement date for all U.S. and foreign plan obligations and assets in both fiscal 2011 and 2010. Cabot is making all required contributions to the plans.

The accumulated benefit obligation was \$140 million for the U.S. defined benefit plans and \$218 million for the foreign plans as of September 30, 2011 and \$138 million for the U.S. defined benefit plans and \$224 million for the foreign plans as of September 30, 2010.

### *Cash Balance Plan*

The CBP is a hybrid defined benefit pension plan in which participants in the CBP accrue benefits in the form of account balances, with a guaranteed rate of return and defined notional contributions. The notional contributions take the form of pay-based credits, which are computed as a percentage of eligible pay and credited quarterly to participant accounts. Interest is credited quarterly based on the average one-year Treasury bill rate for the month of November in the preceding calendar year. As of September 30, 2011, 54 employees have "grandfathered" benefits under a traditional defined benefit formula, which, under certain circumstances, may entitle them to benefits in addition to those accrued under the CBP formula described above. Cabot contributes to the plan based on the fair value of plan assets and associated returns and Cabot's obligations and their timing.

### *Supplemental Cash Balance Plan*

Cabot's SCBP provides benefits to highly compensated employees in circumstances in which the maximum limits established under ERISA and the Internal Revenue Code prevent them from receiving some of the benefits provided under the qualified CBP. This plan is non-qualified and unfunded. The obligations in connection with the SCBP plan were \$6 million and \$4 million as of September 30, 2011 and 2010, respectively, and have been recorded in other liabilities. Both the CBP and the SCBP qualify as defined benefit plans.

### *Postretirement Benefit Plans*

Cabot's postretirement benefit plans provide certain health care and life insurance benefits for retired employees. Typical of such plans, the Cabot postretirement benefit plans are unfunded. Cabot funds the plans as claims or insurance premiums come due. In order to limit its financial exposure, Cabot established a per retiree cap in the U.S. in 1992 on the amount it would contribute to retiree medical costs. Cabot made additional changes effective January 1, 2010 to its postretirement medical and life insurance plans that significantly reduce the number of current employees eligible to receive Company provided retiree life insurance and Company contributions towards retiree medical premiums in the future.

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The following provides information about benefit obligations, plan assets, the funded status and weighted-average assumptions of the defined benefit pension and postretirement benefit plans:

	Years Ended September 30							
	2011		2010		2011		2010	
	Pension Benefits				Postretirement Benefits			
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)							
Change in Benefit Obligations:								
Benefit obligation at beginning of year	\$ 143	\$ 241	\$ 137	\$ 228	\$ 69	\$ 15	\$ 69	\$ 15
Service cost	5	6	5	5	1	—	1	—
Interest cost	6	11	7	10	2	1	3	1
Plan participants' contribution	—	1	—	1	—	—	—	—
Foreign currency exchange rate changes	—	1	—	(2)	—	—	—	—
Loss (gain) from changes in actuarial assumptions	2	(9)	6	19	(1)	(1)	3	—
Benefits paid <sup>(1)</sup>	(9)	(16)	(12)	(20)	(5)	—	(6)	—
Plan amendments	—	—	—	—	(2)	—	(1)	—
Settlements or curtailment gain	—	(1)	—	—	—	—	—	(1)
Other	—	2	—	—	—	—	—	—
Benefit obligation at end of year	\$ 147	\$ 236	\$ 143	\$ 241	\$ 64	\$ 15	\$ 69	\$ 15

	Years Ended September 30							
	2011		2010		2011		2010	
	Pension Benefits				Postretirement Benefits			
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)							
Change in Plan Assets:								
Fair value of plan assets at beginning of year	\$ 104	\$ 197	\$ 104	\$ 193	\$ —	\$ —	\$ —	\$ —
Actual return on plan assets	8	2	10	16	—	—	—	—
Employer contribution	—	13	2	9	5	—	6	—
Plan participants' contribution	—	1	—	1	—	—	—	—
Foreign currency exchange rate changes	—	—	—	(2)	—	—	—	—
Benefits paid <sup>(1)</sup>	(9)	(16)	(12)	(20)	(5)	—	(6)	—
Fair value of plan assets at end of year	\$ 103	\$ 197	\$ 104	\$ 197	\$ —	\$ —	\$ —	\$ —
Funded status	\$ (44)	\$ (39)	\$ (39)	\$ (44)	\$ (64)	\$ (15)	\$ (69)	\$ (15)
Recognized liability <sup>(2)</sup>	\$ (44)	\$ (39)	\$ (39)	\$ (44)	\$ (64)	\$ (15)	\$ (69)	\$ (15)

<sup>(1)</sup> Included in this amount is \$2 million and \$1 million that the Company paid directly to the participants in its defined benefit plans in fiscal 2011 and 2010, respectively.

<sup>(2)</sup> Included in this amount is \$4 million of net pension liability as of September 30, 2011 and 2010 related to the Supermetals Business presented as Noncurrent Liabilities Held For Sale in the Consolidated Balance Sheets.

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**Pension Assumptions and Strategy**

The following assumptions were used to determine the pension benefit obligations at September 30:

	Assumptions as of September 30					
	2011		2010		2009	
	Pension Benefits		Pension Benefits		Pension Benefits	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Actuarial assumptions as of the year-end measurement date:						
Discount rate	4.5%	4.8%	4.5%	4.4%	5.3%	5.0%
Rate of increase in compensation	3.8%	3.1%	3.8%	3.3%	3.8%	3.4%
Actuarial assumptions used to determine net periodic benefit cost during the year:						
Discount rate	4.5%	4.3%	5.3%	5.0%	7.5%	6.4%
Expected long-term rate of return on plan assets	7.8%	6.1%	7.8%	6.1%	7.8%	6.5%
Rate of increase in compensation	3.8%	3.3%	3.8%	3.4%	4.5%	3.8%

**Post Retirement Assumptions and Strategy**

The following assumptions were used to determine the post retirement benefit obligations at September 30:

	Assumptions as of September 30					
	2011		2010		2009	
	Postretirement Benefits		Postretirement Benefits		Postretirement Benefits	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Actuarial assumptions as of the year-end measurement date:						
Discount rate	4.5%	4.9%	4.5%	4.8%	5.3%	5.2%
Initial health care cost trend rate	8.5%	8.0%	7.5%	8.0%	8.0%	9.0%
Actuarial assumptions used to determine net cost during the year:						
Discount rate	4.5%	4.8%	5.3%	5.2%	7.5%	7.1%
Initial health care cost trend rate	7.5%	8.0%	8.0%	9.0%	8.0%	9.0%

Cabot uses discount rates as of September 30, the plans' measurement date, to determine future benefit obligations under its U.S. and foreign defined benefit plans. The discount rates for the defined benefit plans in the U.S., Canada, UAE, Euro-zone, Japan, Switzerland and the U.K. are derived from yield curves that reflect high quality corporate bond yield or swap rate information in each region and reflect the characteristics of Cabot's employee benefit plans. The discount rates for the defined benefit plans in Czech Republic and Indonesia are based on government bond indices that best reflect the durations of the plans, adjusted for credit spreads presented in selected AA corporate bond indices.

The rates utilized are selected because they represent long-term, high quality, fixed income benchmarks that approximate the long-term nature of Cabot's pension obligations and related payouts.

	Years Ended September 30							
	2011		2010		2011		2010	
	Pension Benefits		Pension Benefits		Postretirement Benefits		Postretirement Benefits	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
(Dollars in millions)								
<b>Net Amounts Recognized in the Consolidated Balance Sheets</b>								
Noncurrent assets	\$ —	\$ 10	\$ —	\$ 5	\$ —	\$ —	\$ —	\$ —
Current liabilities	—	(1)	(1)	(1)	(6)	—	(6)	—
Noncurrent liabilities	(44)	(48)	(38)	(48)	(58)	(15)	(63)	(15)

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Amounts recognized in Accumulated other comprehensive income (loss) at September 30, 2011 and 2010 were as follows:

	Years Ended September 30							
	2011				2010			
	Pension Benefits				Postretirement Benefits			
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)							
Net actuarial loss	\$ 34	\$ 52	\$ 32	\$ 54	\$ 2	\$ 2	\$ 3	\$ 3
Net prior service cost (credit)	1	—	1	—	(14)	—	(16)	—
Balance in accumulated other comprehensive income, pretax	<u>\$ 35</u>	<u>\$ 52</u>	<u>\$ 33</u>	<u>\$ 54</u>	<u>\$ (12)</u>	<u>\$ 2</u>	<u>\$ (13)</u>	<u>\$ 3</u>

In fiscal 2012, an estimated net loss of \$4 million will be amortized from accumulated other comprehensive income to net periodic benefit cost. In addition, amortization of estimated prior service credits of \$3 million for other postretirement benefits will be amortized from accumulated other comprehensive income to net periodic benefit costs in fiscal 2012.

**Estimated Future Benefit Payments**

The Company expects that the following benefit payments will be made to plan participants in the years from 2012 to 2021:

Years Ended:	Pension Benefits		Postretirement Benefits	
	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)			
2012	\$ 11	\$ 12	\$ 6	\$ 1
2013	10	17	6	—
2014	11	13	6	—
2015	11	13	6	—
2016	11	15	5	1
2017-2021	65	83	25	5

The Company expects to contribute \$8 million and \$12 million related to its U.S. and foreign pension plans, respectively, in fiscal 2012.

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Net periodic defined benefit pension and other postretirement benefit costs include the following components:

	Years Ended September 30											
	2011		2010		2009		2011		2010		2009	
	Pension Benefits						Postretirement Benefits					
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)											
Service cost	\$ 5	\$ 6	\$ 5	\$ 5	\$ 4	\$ 5	1	\$ —	\$ 1	\$ —	\$ 2	\$ —
Interest cost	6	11	7	11	8	12	2	1	3	1	5	1
Expected return on plan assets	(8)	(13)	(9)	(11)	(9)	(12)	—	—	—	—	—	—
Amortization of prior service cost (credit)	—	—	—	—	—	—	(3)	—	(4)	—	(1)	—
Net losses (gains)	—	3	—	2	(1)	1	—	—	—	—	—	—
Settlements or curtailments cost (income)	—	—	—	1	—	(1)	—	—	—	—	(1)	—
Other	—	2	—	—	—	—	—	—	—	—	—	—
Net periodic benefit cost	\$ 3	\$ 9	\$ 3	\$ 8	\$ 2	\$ 5	\$ —	\$ 1	\$ —	\$ 1	\$ 5	\$ 1

Other changes in plan assets and benefit obligations recognized in other comprehensive income are as follows:

	Years Ended September 30											
	2011		2010		2009		2011		2010		2009	
	Pension Benefits						Postretirement Benefits					
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)											
Net losses (gains)	\$ 2	\$ 1	\$ 5	\$ 12	\$ 34	\$ 18	(1)	\$ (1)	\$ 1	\$ —	\$ 11	\$ 2
Prior service cost	—	—	—	—	—	1	(2)	—	—	—	(17)	—
Amortization of prior service (cost) credit	—	—	—	—	—	—	4	—	4	—	2	—
Amortization of prior unrecognized (loss) gain	—	(3)	—	(2)	1	(1)	—	—	—	—	—	—
Other	—	—	—	1	—	—	—	—	—	—	—	—
Total other comprehensive loss (income)	\$ 2	\$ (2)	\$ 5	\$ 11	\$ 35	\$ 18	\$ 1	\$ (1)	\$ 5	\$ —	\$ (4)	\$ 2

***Curtailments and settlements of employee benefit plans***

In recent years, the Company incurred curtailments and settlements of certain of its employee benefit plans. Associated with these curtailments and settlements, the Company recognized a net gain of less than \$1 million, a net loss of \$1 million and a net gain of \$2 million in fiscal 2011, 2010 and 2009, respectively.



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**Sensitivity Analysis**

Measurement of postretirement benefit expense is based on actuarial assumptions used to value the postretirement benefit liability at the beginning of the year. Assumed health care cost trend rates have an effect on the amounts reported for the health care plans. The fiscal 2011 weighted-average assumed health care cost trend rate is 8.5% for U.S. plans and 8.0% for foreign plans. The ultimate weighted-average health care cost trend rate has been designated as 5% for U.S. plans and 6% for foreign plans and is anticipated to be achieved during 2018 and 2016, respectively. A 1-percentage point change in the 2011 assumed health care cost trend rate would have the following effects:

	1-Percentage-Point			
	Increase		Decrease	
	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)			
Effect on postretirement benefit obligation	\$ —	\$ 2	\$ —	\$ (2)

**Plan Assets**

The Company's defined benefit pension plans weighted-average asset allocations at September 30, 2011 and 2010, by asset category are as follows:

Asset Category:	Pension Assets			
	September 30			
	2011		2010	
	U.S.	Foreign	U.S.	Foreign
Equity securities	57%	44%	64%	44%
Debt securities	43%	50%	36%	51%
Cash and other securities	—%	6%	—%	5%
Total	100%	100%	100%	100%

To develop the expected long-term rate of return on plan assets assumption, the Company used a capital asset pricing model. The model considers the current level of expected returns on risk-free investments comprised of government bonds, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns for each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return for each plan.

Cabot's investment strategy for each of its defined benefit plans in the U.S. and abroad is generally based on a set of investment objectives and policies that cover time horizons and risk tolerance levels consistent with plan liabilities. Periodic studies are performed to determine the asset mix that will meet pension obligations at a reasonable cost to the Company. The assets of the defined benefit plans are comprised principally of investments in equity and high quality fixed income securities, which are broadly diversified across the capitalization and style spectrum and are managed using both active and passive strategies. The weighted average target asset allocation for the U.S. plan is 65% in equity and 35% in fixed income and for the foreign plans is 44% in equity, 51% in fixed income and 5% in cash and other securities.

For pension or other postretirement benefit plan assets classified as Level 1 measurements (measured using quoted prices in active markets), total fair value is either the price of the most recent trade at the time of the market close or the official close price, as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

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For pension or other postretirement benefit plan assets classified as Level 2 measurements, where the security is frequently traded in less active markets, fair value is based on the closing price at the end of the period; where the security is less frequently traded, fair value is based on the price a dealer would pay for the security or similar securities, adjusted for any terms specific to that asset or liability. Market inputs are obtained from well-established and recognized vendors of market data and subjected to tolerance/quality checks.

Some pension or other postretirement benefit plan assets are held in funds where a net asset value is calculated based on the fair value of the underlying assets and the number of shares owned. The classification of the fund (Level 1, 2 or 3 measurements) is determined based on the classification of the significant holdings within the fund. For all other pension or other postretirement benefit plan assets for which observable inputs are used, fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models.

The fair value of the Company's pension plan assets at September 30, 2011 by asset category is as follows:

Asset Category:	Quoted Prices in Active Markets for Identical Assets		Significant Observable Inputs	Quoted Prices in Active Markets for Identical Assets		Significant Observable Inputs
		(Level 1)	(Level 2)	(Level 1)	(Level 2)	
	Total	US		Non-US		
	(Dollars in millions)					
Cash and cash equivalents	\$ 5	\$ —	\$ 1	\$ 4	\$ —	
Direct investments:						
U.S. equity securities	13	13	—	—	—	
Non-U.S. equity securities	1	1	—	—	—	
Non-U.S. government bonds	47	—	—	47	—	
Non-U.S. corporate bonds	1	—	—	1	—	
Total direct investments	62	14	—	48	—	
Investment funds:						
Equity funds <sup>(1)</sup>	106	20	—	—	86	
Fixed income funds <sup>(2)</sup>	93	43	—	—	50	
Real estate funds <sup>(3)</sup>	1	—	—	—	1	
Common and collective investment trust fund <sup>(4)</sup>	24	—	24	—	—	
Money market fund	1	1	—	—	—	
Total investment funds	225	64	24	—	137	
Alternative investments:						
Insurance contracts	8	—	—	—	8	
Total alternative investments	8	—	—	—	8	
Total pension plan assets	\$ 300	\$ 78	\$ 25	\$ 52	\$ 145	

<sup>(1)</sup> The equity funds asset class includes funds that invest in U.S. equities as well as equity securities issued by companies incorporated, listed or domiciled in countries in developed and/or emerging markets. These companies may be in the small-, mid- or large-cap categories.

<sup>(2)</sup> The fixed income funds asset class includes investments in high quality funds. High quality fixed income funds primarily invest in low risk U.S. and non-U.S. government securities, investment-grade corporate bonds, mortgages and asset-backed securities. A significant portion of the fixed income funds asset includes investment in long-term bond funds.

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- (3) The real estate funds asset class includes funds that primarily invest in entities which are principally engaged in the ownership, acquisition, development, financing, sale and/or management of income-producing real estate properties, both commercial and residential. These funds typically seek long-term growth of capital and current income that is above average relative to public equity funds.
- (4) The investment objective of the portfolio of this common and collective investment trust is to achieve long-term, total return in excess of the MSCI World Index Benchmark by investing in equity securities of companies worldwide, emphasizing those with above-average potential for capital appreciation.

### **Note O. Stock-Based Compensation**

The Company has established equity compensation plans that provide stock-based compensation to eligible employees. The 2009 Long-Term Incentive Plan (the "2009 Plan"), which was approved by Cabot's stockholders on March 12, 2009, authorizes the issuance of 6.4 million shares of common stock. This is the Company's only equity incentive plan under which awards may currently be made to employees, although some awards made under the Company's 2006 Long-Term Incentive Plan (the "2006 Plan") remain outstanding at September 30, 2011.

The terms of awards made under Cabot's equity compensation plans are generally determined by the Compensation Committee of Cabot's Board of Directors. The 2009 Plan allows for grants of stock options, restricted stock, restricted stock units and other stock-based awards to employees. The awards made in fiscal 2011, 2010 and 2009 under the 2009 Plan consisted of grants of stock options, time-based restricted stock units, and performance-based restricted stock units. The options were issued with an exercise price equal to 100% of the market price of Cabot's common stock on the date of grant, vest over a three year period (30% on each of the first and second anniversaries of the date of grant and 40% on the third anniversary of the date of grant) and expire ten years after grant. The restricted stock units vest three years from the date of the grant. The number of shares issuable, if any, when a performance-based restricted stock unit award vests will depend on the degree of achievement (threshold, target or maximum performance) of the corporate performance metrics for each year within the three-year performance period of the award. Accordingly, future compensation costs associated with outstanding awards of performance-based restricted stock units may increase or decrease based on the probability of the Company achieving the performance metrics.

Prior to 2009, the principal awards made under the Company's equity plans consisted of grants of restricted stock and stock options. The shares of restricted stock were generally purchased by the employee at a price equal to 30% of the market price of Cabot's common stock on the date of grant, with vesting dates three years after the date of grant. The stock options issued prior to 2009 were issued with an exercise price equal to 100% of the market price of Cabot's common stock on the date of grant, vest three years after the date of grant and expire five years after grant.

With respect to the shares of restricted stock issued prior to 2009, in many instances, the Company provided loans to employees, other than executive officers, to facilitate their purchase of the shares. These loans are full recourse, secured by the purchased shares, have a term of approximately three years, and accrue interest at market rates. During the third quarter of fiscal 2009, the Company extended the maturity date of the loans made in 2006 by thirty-six months to August 2012. After evaluating the facts and circumstances related to these loans, in 2009, the Company determined that it was appropriate to apply option accounting to all unvested restricted stock awards under the 2006 Plan that had accompanying loans. In fiscal 2009, total incremental stock-based compensation expense related to this change was \$4 million, and was being recorded over the remaining vesting period that ended in May 2011. As of September 30, 2011 and 2010, the outstanding loan balances were \$2 million and \$8 million, respectively. Prior to extending the maturity of the loans made in May 2006, all of the loans were recorded in equity. Subsequent to this event, the loans have been removed from the balance sheet as all of the restricted stock awards with Company loans are accounted for as if they were stock options.

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Stock-based employee compensation expense was \$10 million, \$11 million and \$12 million, after tax, for fiscal 2011, 2010 and 2009, respectively. The Company recognized the full impact of its stock-based employee compensation expense in the Consolidated Statements of Operations for fiscal 2011, 2010 and 2009 and did not capitalize any such costs on the Consolidated Balance Sheets because those that qualified for capitalization were not material. The following table presents stock-based compensation expenses included in the Company's Consolidated Statement of Operations:

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Cost of Sales	\$ 5	\$ 6	\$ 7
Selling and administrative expenses	9	11	11
Research and technical expenses	1	1	1
Stock-based compensation expense	15	18	19
Income tax benefit	(5)	(7)	(7)
Net stock-based compensation expense	<u>\$ 10</u>	<u>\$ 11</u>	<u>\$ 12</u>

As of September 30, 2011, Cabot has \$14 million, \$2 million and less than \$1 million of total unrecognized compensation cost related to non-vested restricted stock units, non-vested options and non-vested restricted stock, respectively, granted under the Company's equity incentive plans. That cost is expected to be recognized over a weighted-average period of 1.6 years, 0.8 years and 0.4 years for non-vested restricted stock units, non-vested options and the non-vested restricted stock, respectively.

### *Equity Incentive Plan Activity*

The following table summarizes the total stock option, restricted stock, and restricted stock unit activity in the equity incentive plans for fiscal 2011:

	September 30, 2011						
	Stock Options			Restricted Stock		Restricted Stock Units	
	Total Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Restricted Stock	Weighted Average Grant Date Fair Value	Restricted Stock Units <sup>(1)</sup>	Weighted Average Grant Date Fair Value
	(Shares in thousands)						
Outstanding at September 30, 2010	1,765	\$ 20.40	\$ 5.21	829	\$ 20.81	454	\$ 23.90
Granted	250	34.64	12.09	—	—	387	34.76
Performance-based adjustment <sup>(2)</sup>	—	—	—	—	—	58	28.60
Exercised / Vested	(180)	23.32	5.67	(820)	22.61	(4)	28.63
Cancelled / Forfeited	(63)	24.74	7.35	(6)	22.43	(29)	28.48
Outstanding at September 30, 2011	<u>1,772</u>	21.96	6.06	<u>3</u>	9.56	<u>866</u>	28.89
Exercisable at September 30, 2011	<u>809</u>	20.70					
Expected to vest <sup>(3)</sup>	<u>940</u>	23.07					

<sup>(1)</sup> The number "Granted" represents the number of shares issuable upon vesting of time-based restricted stock units and performance-based restricted stock units, assuming the Company performs at the target performance level in each year of the three-year performance period. Restricted stock units outstanding as of September 30, 2010 have been recast to include the incremental number of shares issuable upon vesting of outstanding performance-based restricted stock units, based on the Company achieving performance at a level greater than target under the 2010 performance targets.

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- (2) Represents the incremental number of shares issuable upon vesting of outstanding performance-based restricted stock units, based on the Company achieving performance at a level greater than target under the 2011 performance targets.
- (3) Stock options expected to vest in the future, net of estimated forfeitures, have a weighted average remaining contractual life of 8.1 years.

### **Stock Options**

The following table summarizes information related to the outstanding and vested options on September 30, 2011:

	Total Options Outstanding	Exercisable Options
Aggregate Intrinsic Value (in millions)	\$ 5	\$ 3
Weighted Average Remaining Contractual Term (in years)	7.5	6.7

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value, based on the Company's closing common stock price of \$24.78 on September 30, 2011, which would have been received by the option holders had all option holders exercised their options and immediately sold their shares on that date.

The intrinsic value of options exercised during fiscal 2011 and 2010 was \$3 million and \$1 million, respectively, and the Company received cash of \$4 million and \$3 million, respectively, from these exercises. No options were exercised in fiscal 2009.

Approximately 612,000, 441,000 and 79,000 options vested during fiscal 2011, 2010 and 2009, respectively. The weighted average grant date fair value of these options was \$3 million, \$2 million and \$1 million, respectively. The Company uses the Black-Scholes option-pricing model to estimate the fair value of the options at the grant date. The estimated weighted average grant date fair values of options granted during fiscal 2011, 2010 and 2009 was \$12.09, \$7.41, and \$3.98 per option, respectively. The fair values on the grant date (including the application of option accounting to the restricted stock awards as noted previously) were calculated using the following weighted-average assumptions:

	Years Ended September 30		
	2011	2010	2009
Expected stock price volatility	43%	42%	39%
Risk free interest rate	1.8%	2.8%	0.4%
Expected life of options (years)	6	6	6
Expected annual dividends per year	\$ 0.72	\$ 0.72	\$ 0.72

The expected stock price volatility assumption was determined using the historical volatility of the Company's common stock over the expected life of the option.

### **Restricted Stock Units**

The value of restricted stock unit awards is the closing stock price at the date of the grant. The estimated weighted average grant date fair values of restricted stock unit awards granted during fiscal 2011 and 2010 was \$34.76 and \$24.49, respectively. There were no restricted stock unit awards granted during fiscal 2009. The intrinsic value of restricted stock units that vested during fiscal 2011 was less than \$1 million. No restricted stock units vested during fiscal 2010 or 2009.

### **Restricted Stock**

The fair value of restricted stock awards is derived by calculating the difference between the share price and the purchase price at the date of the grant. The estimated weighted average grant date fair values

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of restricted stock awards granted during fiscal 2009 were \$9.56. There were no restricted stock awards granted during fiscal 2011 or 2010. The intrinsic value of restricted stock that vested during fiscal 2011, 2010 and 2009 was \$27 million, \$11 million and \$5 million, respectively.

### Supplemental Retirement Savings Plan

Cabot's SRSP provides benefits to highly compensated employees in circumstances in which the maximum limits established under ERISA and the Internal Revenue Code prevent them from receiving all of the Company matching and ESOP contributions that would otherwise be provided under the qualified RSP. The SRSP is non-qualified and unfunded. Contributions under the SRSP are treated as if invested in Cabot common stock. The majority of the distributions made under the SRSP are required to be paid with shares of Cabot common stock. The remaining distributions, which relate to certain grandfathered accounts, will be paid in cash based on the market price of Cabot common stock at the time of distribution. The aggregate value of the accounts that will be paid out in stock, which is equivalent to approximately 125,000 and 166,000 shares of Cabot common stock as of September 30, 2011 and 2010, respectively, is reflected at historic cost in stockholders' equity, and the aggregate value of the accounts that will be paid in cash, which is \$1 million as of both September 30, 2011 and 2010, is reflected in other long-term liabilities and marked-to-market quarterly.

### Note P. Restructuring

Cabot's restructuring activities were recorded in the Consolidated Statements of Operations as follows:

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Cost of sales	\$ 16	\$ 36	\$ 80
Selling and administrative expenses	2	10	5
Research and technical expenses	—	—	2
Total	<u>\$ 18</u>	<u>\$ 46</u>	<u>\$ 87</u>

Details of these restructuring activities and the related reserves for fiscal 2011 and 2010 were as follows:

	Severance and Employee Benefits	Environmental Remediation	Asset Impairment and Accelerated Depreciation	Asset Sales	Other	Total
	(Dollars in millions)					
Reserve at September 30, 2009	\$ 20	\$ 1	\$ —	\$ —	\$ —	\$ 21
Charges	29	2	11	(3)	7	46
Costs charged against assets and other	—	—	(11)	—	—	(11)
Proceeds from sale	—	—	—	3	—	3
Cash paid	(27)	(2)	—	—	(7)	(36)
Foreign currency translation adjustment	(4)	—	—	—	—	(4)
Reserve at September 30, 2010	\$ 18	\$ 1	\$ —	\$ —	\$ —	\$ 19
Charges	8	3	3	(1)	5	18
Costs charged against assets and other	1	—	(3)	(4)	—	(6)
Proceeds from sale	—	—	—	6	—	6
Cash paid	(17)	(4)	—	(1)	(4)	(26)
Foreign currency translation adjustment	(1)	—	—	—	1	—
Reserve at September 30, 2011	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 11</u>

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### ***Closure of Grigno, Italy Manufacturing Facility and Other Activities***

In February 2011, the Company closed its thermoplastic concentrates manufacturing facility in Grigno, Italy. This decision was made to align Cabot's manufacturing capabilities with the market outlook and Cabot's Performance Segment strategy. The closure, which affected 37 employees, resulted in \$6 million of charges to earnings and is comprised of \$3 million for severance and employee benefits and \$3 million for accelerated depreciation and asset impairments.

Through September 30, 2011, Cabot made \$1 million of cash payments associated with this restructuring plan. The Company expects to make additional cash payments of \$2 million in 2012.

As of September 30, 2011, Cabot has \$2 million of accrued restructuring costs in the Consolidated Balance Sheet related to this site closure.

In addition, during fiscal 2011 Cabot recorded approximately \$5 million of other severance-related restructuring charges at other locations around the world. Cabot expects \$4 million to be paid in fiscal 2012 and \$1 million to be paid in fiscal 2013 related to these activities.

### ***Closure of Thane, India Manufacturing Facility***

In fiscal 2010, Cabot ceased manufacturing operations at its carbon black manufacturing facility in Thane, India. This decision, which affected approximately 120 employees, was made as a result of a broad reaching analysis of the Company's manufacturing assets, including their cost structure, ability to expand and a variety of other factors. The Company continues to maintain a presence in India through its fumed metal oxides manufacturing joint venture and continuing commercial operations in carbon black and other products.

The Company expects the closure plan will result in a total pre-tax charge to earnings of approximately \$20 million. Through September 30, 2011, Cabot has recorded \$19 million of charges associated with this restructuring, comprised of \$7 million for severance and employee benefits, \$10 million for accelerated depreciation and asset impairments, \$1 million for demolition and site clearing costs and \$2 million for other post-closing costs offset by a net gain on sales of non-manufacturing related assets of approximately \$1 million. These amounts exclude any potential gain to be recognized on the sale of land and certain other manufacturing related assets.

Cumulative net cash outlays related to this plan are expected to be approximately \$7 million. Through fiscal 2011, Cabot has made net cash payments of \$7 million. The Company expects to make cash payments of \$1 million in 2012 offset by anticipated cash receipts on non-manufacturing related asset sales of \$1 million. These amounts exclude any potential cash to be received on the sale of land and certain other manufacturing related assets.

As of September 30, 2011, Cabot has \$1 million of accrued restructuring costs in the Consolidated Balance Sheet related to this site closure.

### ***2009 Global Restructuring***

In fiscal 2009, Cabot initiated its 2009 Global Restructuring Plan. Under this plan, the Company closed three manufacturing sites and implemented operating cost and workforce reductions across a variety of its other operations. In fiscal 2010, the Company consolidated several of its European administrative offices in a new European headquarters office in Switzerland.

The Company has recorded a cumulative pre-tax charge of \$120 million. In addition, the Company expects to recognize a gain on sale related to one of its former manufacturing sites in fiscal 2012. The total amounts the Company has recorded for each major type of cost associated with the restructuring plan are: (i) severance and employee benefits of \$54 million for approximately 400 employees, (ii) accelerated depreciation and impairment of facility assets of \$45 million, net of gains associated with the sale of certain assets, (iii) demolition and site clearing costs of \$6 million, and (iv) other post-closing costs of \$15 million.

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Net cash outlays related to these actions are expected to be approximately \$68 million. Through fiscal 2011, Cabot has made net cash payments of \$68 million. In 2012 and thereafter the Company expects to make severance and related payments totaling \$3 million offset by the expected proceeds on sale of a former manufacturing site.

As of September 30, 2011, Cabot has \$3 million of restructuring costs in accrued expenses in the Consolidated Balance Sheet related to this plan.

### **Note Q. Stockholders' Equity**

In fiscal 2007, the Board of Directors authorized Cabot to repurchase up to ten million shares of Cabot's common stock in the open market or in privately negotiated transactions. This authorization does not have a set expiration date. Under this authorization, the Company repurchased approximately 1.6 million shares in fiscal 2011, no shares in fiscal 2010 and approximately 3,500 shares in fiscal 2009. As of September 30, 2011, approximately 2.7 million shares remain available for repurchase under the current authorization.

During each of fiscal 2011, 2010 and 2009, Cabot paid cash dividends of \$0.72 per share of common stock.

### ***Accumulated Other Comprehensive Income***

The following table illustrates the after-tax balances of the components comprising Accumulated other comprehensive income:

	September 30	
	2011	2010
	(Dollars in millions)	
Foreign currency translation adjustments	\$ 163	\$ 144
Unrealized holding gain on investments	1	1
Change in funded status of retirement plans	(58)	(57)
Accumulated other comprehensive income	<u>\$ 106</u>	<u>\$ 88</u>



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**Note R. Earnings Per Share**

The following tables summarize the components of the basic and diluted earnings per common share computations:

	Years Ended September 30		
	2011	2010	2009
	(In millions, except per share amounts)		
<b>Basic EPS:</b>			
Net income (loss) attributable to Cabot Corporation	\$ 236	\$ 154	\$ (77)
Less: Dividends and dividend equivalents to participating securities	1	1	2
Less: Undistributed earnings allocated to participating securities <sup>(1)</sup>	2	2	—
Earnings (loss) allocated to common shareholders (numerator)	\$ 233	\$ 151	\$ (79)
Weighted average common shares and participating securities outstanding	65.4	65.3	65.3
Less: Participating securities <sup>(1)</sup>	0.8	1.5	2.5
Adjusted weighted average common shares (denominator)	64.6	63.8	62.8
Per share amounts—basic:			
Income (loss) from continuing operations attributable to Cabot Corporation	\$ 2.80	\$ 1.96	\$ (1.21)
Income (loss) from discontinued operations	0.82	0.41	(0.04)
Net income (loss) attributable to Cabot Corporation	\$ 3.62	\$ 2.37	\$ (1.25)
<b>Diluted EPS:</b>			
Earnings (loss) allocated to common shareholders	\$ 233	\$ 151	\$ (79)
Plus: Earnings allocated to participating securities	3	3	2
Less: Adjusted earnings allocated to participating securities <sup>(2)</sup>	(3)	(3)	(2)
Earnings (loss) available to common shares (numerator)	\$ 233	\$ 151	\$ (79)
Adjusted weighted average common shares outstanding	64.6	63.8	62.8
Effect of dilutive securities:			
Common shares issuable <sup>(3)</sup>	0.8	0.5	—
Adjusted weighted average common shares (denominator)	65.4	64.3	62.8
Per share amounts—diluted:			
Income (loss) from continuing operations attributable to Cabot Corporation	\$ 2.77	\$ 1.94	\$ (1.21)
Income (loss) from discontinued operations	0.80	0.41	(0.04)
Net income (loss) attributable to Cabot Corporation	\$ 3.57	\$ 2.35	\$ (1.25)

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- (1) Participating securities consist of shares of unvested restricted stock, vested restricted stock awards held by employees in which Cabot has a security interest, and unvested time-based restricted stock units.

Undistributed earnings are the earnings which remain after dividends declared during the period are assumed to be distributed to the common and participating shareholders. Undistributed earnings are allocated to common and participating shareholders on the same basis as dividend distributions. The calculation of undistributed earnings is as follows:

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
<b>Calculation of undistributed earnings:</b>			
Net income (loss) attributable to Cabot Corporation	\$ 236	\$ 154	\$ (77)
Less: Dividends declared on common stock	46	46	46
Less: Dividends and dividend equivalents to participating securities	1	1	2
Undistributed earnings	<u>\$ 189</u>	<u>\$ 107</u>	<u>\$ (125)</u>
<b>Allocation of undistributed earnings:</b>			
Undistributed earnings allocated to common shareholders	\$ 187	\$ 105	\$ (125)
Undistributed earnings allocated to participating securities	2	2	—
Undistributed earnings	<u>\$ 189</u>	<u>\$ 107</u>	<u>\$ (125)</u>

- (2) Undistributed earnings are adjusted for the assumed distribution of dividends to the dilutive securities, which are described in (3) below, and then reallocated to participating securities.

- (3) Represents incremental shares of common stock from the (i) assumed exercise of stock options issued under Cabot's equity incentive plans; (ii) assumed issuance of shares to employees pursuant to the Company's Supplemental Retirement Savings Plan; and (iii) assumed issuance of shares for outstanding and achieved performance-based stock unit awards issued under Cabot's equity incentive plans using the treasury stock method. For fiscal 2011, 253,000 incremental shares of common stock were not included in the calculation of diluted earnings per share because the inclusion of these shares would have been antidilutive. For fiscal 2010, 193,000 incremental shares of common stock were not included in the calculation of diluted earnings per share because those shares' exercise prices were greater than the average market price of Cabot common stock for that period. For fiscal 2009, 3,833,000 incremental shares of common stock were excluded from the calculation of diluted earnings per share as those shares would have been antidilutive due to the Company's net loss position.

**Note S. Income Taxes**

Income (loss) from continuing operations before income taxes and equity in net earnings of affiliated companies was as follows:

	Years ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Domestic	\$ (25)	\$ 3	\$ (72)
Foreign	228	163	(27)
Total	<u>\$ 203</u>	<u>\$ 166</u>	<u>\$ (99)</u>

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Tax provision (benefit) on income (loss) consisted of the following:

	Years ended September 30		
	2011	2010	2009
	(Dollars in millions)		
U.S. federal and state:			
Current	\$ (7)	\$ (8)	\$ (2)
Deferred	(51)	(14)	(32)
Total	(58)	(22)	(34)
Foreign:			
Current	57	51	27
Deferred	7	1	(14)
Total	64	52	13
Total U.S. and foreign	\$ 6	\$ 30	\$ (21)

The provision (benefit) for income taxes differed from the provision for income taxes as calculated using the U.S. statutory rate as follows:

	Years ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Computed tax expense at the federal statutory rate	\$ 70	\$ 58	\$ (35)
Foreign income:			
Impact of taxation at different rates, repatriation and other	(29)	(26)	(3)
Impact of repatriation of high tax income	(24)	—	—
Impact of investment incentive credits	(2)	(2)	(1)
Impact of foreign losses for which a current tax benefit is not available	6	17	30
State taxes, net of federal effect	—	—	—
U.S. and state benefits from research and experimentation activities	(3)	(1)	(4)
Tax audit settlements	(12)	(15)	(9)
Other, net	—	(1)	1
Total	\$ 6	\$ 30	\$ (21)

Significant components of deferred income taxes were as follows:

	September 30	
	2011	2010
	(Dollars in millions)	
Deferred tax assets:		
Depreciation and amortization	\$ 73	\$ 67
Pension and other benefits	87	89
Environmental liabilities	3	3
Inventory	12	16
Deferred expenses	11	15
Net operating loss carry-forwards	125	131
Other tax carry-forwards	137	95
Other	28	26
Subtotal	476	442
Valuation allowances	(138)	(126)
Total deferred tax assets	\$ 338	\$ 316

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	September 30	
	2011	2010
	(Dollars in millions)	
Deferred tax liabilities:		
Depreciation and amortization	\$ 28	\$ 28
Pension and other benefits	2	4
Unremitted earnings of non-U.S. subsidiaries	18	12
Inventory	3	3
Other	5	6
Total deferred tax liabilities	<u>\$ 56</u>	<u>\$ 53</u>

In fiscal 2011, Cabot recorded \$38 million net tax benefits including \$24 million from the repatriation of high taxed income and \$14 million related to tax settlements, the renewal of the U.S. research and experimentation credit, and investment incentive tax credits in the tax provision.

In fiscal 2010, Cabot recorded \$17 million of net tax benefits related to tax settlements and investment incentive tax credits and a \$1 million net tax charge for other miscellaneous items in the tax provision.

In fiscal 2009, Cabot recorded \$12 million of net tax benefits related to tax settlements, the renewal of the U.S. research and experimentation credit, and investment incentive tax credits in the tax provision.

Approximately \$565 million of net operating loss carryforwards ("NOLs") and \$137 million of other tax credit carryforwards remain at September 30, 2011. The benefits of these carryforwards are dependent upon taxable income during the carryforward period in the jurisdictions where they arose. Accordingly, a valuation allowance has been provided where management has determined that it is more likely than not that the carryforwards will not be utilized. The following table provides detail surrounding the expiration dates of these carryforwards:

	NOLs	Other Credits
	(Dollars in millions)	
Expiration periods		
2012 to 2018	\$ 132	\$ 6
2019 and thereafter	131	110
Indefinite carryforward	302	21
Total	<u>\$ 565</u>	<u>\$ 137</u>

As of September 30, 2011, provisions have not been made for U.S. income taxes or non-U.S. withholding taxes on approximately \$887 million of undistributed earnings of non-U.S. subsidiaries, as these earnings are considered indefinitely reinvested. These earnings could become subject to U.S. income taxes and non-U.S. withholding taxes if they were remitted as dividends, were loaned to Cabot Corporation or a U.S. subsidiary, or if Cabot should sell its stock in the subsidiaries.

As of September 30, 2011, Cabot has net deferred tax assets of \$282 million, \$247 million of which are in the U.S. Management believes that the Company's history of generating domestic profits provides adequate evidence that it is more likely than not that all of the U.S. net deferred tax assets will be realized in the normal course of business. U.S. income (loss) from continuing operations adjusted for U.S. permanent differences was a profit of \$86 million for the year ended September 30, 2011 and was a cumulative profit of \$131 million for the three years ended September 30, 2011.

Realization of the tax asset is dependent on achieving the forecast of future taxable operating income over an extended period of time. As of September 30, 2011, the Company would need to generate approximately \$706 million in cumulative future U.S. taxable operating income at various times over approximately 20 years to realize all of its net U.S. deferred tax assets. The Company also believes that it is more likely than not that Cabot will recover the \$35 million non-U.S. net deferred tax asset which will

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require approximately \$117 million of future taxable operating income to be generated by various non-U.S. subsidiaries given the subsidiaries' history of profitability. The Company reviews its forecast in relation to actual results and expected trends on a quarterly basis. Failure to achieve operating income targets may change the Company's assessment regarding the recoverability of Cabot's deferred tax assets and such change could result in a valuation allowance being recorded against some or all of the Company's deferred tax assets. Any increase in a valuation allowance would result in additional income tax expense, lower stockholders' equity and could have a significant impact on Cabot's earnings in future periods.

The valuation allowances at September 30, 2011 and 2010 represent management's best estimate of the non-realizable portion of the deferred tax assets. The valuation allowance increased in certain tax jurisdictions by \$12 million, \$6 million, and \$33 million in fiscal years 2011, 2010 and 2009, respectively, due to the uncertainty of the ultimate realization of certain future tax benefits and net operating losses reflected as deferred tax assets.

Cabot has filed its tax returns in accordance with the tax laws in each jurisdiction and recognizes tax benefits for uncertain tax positions when the position would more likely than not be sustained based on its technical merits and recognizes measurement adjustments when needed. As of September 30, 2011, the total amount of unrecognized tax benefits was \$65 million, of which \$39 million was recorded in the Company's Consolidated Balance Sheet and \$26 million, principally related to state net operating loss carryforwards, have not been recorded. In addition, accruals of \$3 million and \$14 million have been recorded for penalties and interest, respectively, as of September 30, 2011. Total penalties and interest recorded in the tax provision was \$3 million in each of fiscal years 2011, 2010, and 2009. If the unrecognized tax benefits were recognized at a given point in time, there would be approximately \$56 million favorable impact on the Company's tax provision.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for fiscal 2011, 2010 and 2009 are as follows:

	Years ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Balance at beginning of the year	\$ 75	\$ 81	\$ 80
Additions based on tax provisions related to the current year	2	6	7
Additions for tax positions of prior years	1	3	4
Reductions of tax provisions of prior years	(13)	(15)	(10)
Balance at end of the year	<u>\$ 65</u>	<u>\$ 75</u>	<u>\$ 81</u>

During fiscal 2011, the balance of unrecognized tax benefits was reduced by \$13 million primarily due to the settlement of audits in a number of tax jurisdictions including a settlement recorded in income from discontinued operations, net of tax, in the Consolidated Statement of Operations. Certain Cabot subsidiaries are under audit in jurisdictions outside of the U.S. In addition, certain statutes of limitations are scheduled to expire in the near future. It is reasonably possible that a further change in the unrecognized tax benefits may occur within the next twelve months related to the settlement of one or more of these audits or the lapse of applicable statutes of limitations; however, an estimated range of the impact on the unrecognized tax benefits cannot be quantified at this time.

Cabot files U.S. federal and state and non-U.S. income tax returns in jurisdictions with varying statutes of limitations. The 2007 through 2011 tax years generally remain subject to examination by the IRS and the 2004 through 2011 tax years remain subject to examination by most state tax authorities. In significant non-U.S. jurisdictions, the 2005 through 2011 tax years generally remain subject to examination by their respective tax authorities with the exception of Canada and the United Kingdom which are open from 2001. Cabot's significant non-U.S. jurisdictions include Argentina, Brazil, Canada, China, Germany, Japan, the Netherlands, and the United Kingdom.

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**Note T. Commitments and Contingencies**

***Operating Lease Commitments***

Cabot leases certain transportation vehicles, warehouse facilities, office space, machinery and equipment under cancelable and non-cancelable operating leases, most of which expire within ten years and may be renewed by Cabot. Escalation clauses, lease payments dependent on existing rates/indexes and other lease concessions are included in the minimum lease payments and such lease payments are recognized on a straight-line basis over the minimum lease term. Rent expense under such arrangements for fiscal 2011, 2010 and 2009 totaled \$19 million, \$21 million and \$27 million, respectively. Future minimum rental commitments under non-cancelable leases are as follows:

	(Dollars in millions)
2012	19
2013	15
2014	12
2015	11
2016	8
2017 and thereafter	29
Total future minimum rental commitments	\$ 94

***Other Long-Term Commitments***

Cabot has entered into long-term purchase agreements primarily for the purchase of raw materials. Under certain of these agreements, the quantity of material being purchased is fixed, but the prices paid change as market prices change. Raw materials purchased under these agreements by segment for fiscal 2011, 2010 and 2009 are as follows:

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Core Segment	\$ 340	\$ 294	\$ 136
Performance Segment	18	36	82
Specialty Fluids Segment	—	6	4
Total	\$ 358	\$ 336	\$ 222

Included in the table above are raw materials purchases from noncontrolling shareholders of consolidated subsidiaries. These purchases were \$134 million, \$126 million and \$57 million during fiscal 2011, 2010 and 2009, respectively, and as of both September 30, 2011 and 2010, accounts payable and accrued liabilities owed to noncontrolling shareholders was \$10 million.

The purchase commitments for the Rubber Blacks Business, Performance Segment and New Business Segment covered by these agreements are with various suppliers and purchases are expected to take place as follows:

	Payments Due by Fiscal Year						
	2012	2013	2014	2015	2016	Thereafter	Total
	(Dollars in millions)						
Core Segment	\$ 272	\$ 245	\$ 229	\$ 227	\$ 200	\$ 2,705	\$ 3,878
Performance Segment	16	30	31	30	171	133	411
New Business Segment	1	1	—	—	—	—	2
Total	\$ 289	\$ 276	\$ 260	\$ 257	\$ 371	\$ 2,838	\$ 4,291

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The dollar value of these commitments has been estimated using current market prices. As noted above, these will fluctuate based on time of purchase.

### ***Guarantee Agreements***

Cabot has provided certain indemnities pursuant to which it may be required to make payments to an indemnified party in connection with certain transactions and agreements. In connection with certain acquisitions and divestitures, Cabot has provided routine indemnities with respect to such matters as environmental, tax, insurance, product and employee liabilities. In connection with various other agreements, including service and supply agreements, Cabot has provided indemnities for certain contingencies and routine warranties. Cabot is unable to estimate the maximum potential liability for these types of indemnities as a maximum obligation is not explicitly stated in most cases and the amounts, if any, are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be reasonably estimated. The duration of the indemnities vary, and in many cases are indefinite. Cabot has not recorded any liability for these indemnities in the consolidated financial statements, except as otherwise disclosed.

### ***Self-Insurance and Retention for Certain Contingencies***

The Company is partially self-insured for certain third-party liabilities globally, as well as workers' compensation and employee medical benefits in the United States. The third-party and workers' compensation liabilities are managed through a wholly-owned insurance captive and the related liabilities are included in the consolidated financial statements. The employee medical obligations are managed by a third-party provider and the related liabilities are included in the consolidated financial statements. To limit Cabot's potential liabilities for these risks, however, the Company purchases insurance from third-parties that provides individual and aggregate stop-loss protection. The aggregate self-insured liability in fiscal 2011 for combined third-party liabilities, U.S. workers' compensation and employee medical benefits was \$6 million, and the retention for medical costs in the United States is at most \$200,000 per person per annum.

### ***Contingencies***

Cabot is a defendant, or potentially responsible party, in various lawsuits and environmental proceedings wherein substantial amounts are claimed or at issue.

### ***Environmental Matters***

As of September 30, 2011 and 2010, Cabot had \$6 million and \$7 million, respectively, reserved for environmental matters primarily related to divested businesses. In fiscal 2011 and 2010, there was \$2 million and \$2 million in accrued expenses and \$4 million and \$5 million in other liabilities, respectively, in the consolidated balance sheets for environmental matters. These amounts represent Cabot's best estimates of its share of costs likely to be incurred at those sites where costs are reasonably estimable based on its analysis of the extent of clean up required, alternative clean up methods available, abilities of other responsible parties to contribute and its interpretation of laws and regulations applicable to each site. Cabot reviews the adequacy of this reserve as circumstances change at individual sites. Charges for environmental expense were \$1 million, \$3 million, and less than \$1 million in fiscal 2011, 2010 and 2009, respectively. Cash payments were \$2 million, \$1 million and \$3 million during fiscal 2011, 2010 and 2009, respectively, related to these environmental matters.

The operation and maintenance component of the \$6 million reserve for environmental matters was \$3 million. Cabot expects to make payments of \$1 million in fiscal 2012, \$1 million in each of fiscal 2013 through fiscal 2016, and a total of \$1 million thereafter.

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When deemed appropriate, the Company discounts its liability for environmental matters. A weighted average risk free rate of 2% was used for the environmental liability at September 30, 2011. The book value of the liabilities will be accreted up to the undiscounted liability value through interest expense over the expected cash flow period. The accreted interest expense was less than \$1 million for each of fiscal 2011, 2010 and 2009.

In June 2009, Cabot received an information request from the United States Environmental Protection Agency ("EPA") regarding Cabot's carbon black manufacturing facility in Pampa, Texas. The information request relates to the Pampa facility's compliance with certain regulatory and permitting requirements under the Clean Air Act, including the New Source Review ("NSR") construction permitting requirements. EPA has indicated that this information request is part of an EPA national initiative focused on the U.S. carbon black manufacturing sector. Cabot responded to EPA's information request in August 2009 and is in discussions with EPA. Based upon how EPA has handled similar NSR initiatives with other industrial sectors, it is anticipated that EPA will seek to require Cabot to employ additional technology control devices or approaches with respect to emissions at certain U.S. facilities and/or seek a civil penalty from Cabot. Should additional technology control devices be required, these costs would likely be capital in nature and would likely impact the Consolidated Statement of Operations over the depreciable lives of the associated assets.

### *Respirator Liabilities*

Cabot has exposure in connection with a safety respiratory products business that a subsidiary acquired from American Optical Corporation ("AO") in an April 1990 asset purchase transaction. The subsidiary manufactured respirators under the AO brand and disposed of that business in July 1995. In connection with its acquisition of the business, the subsidiary agreed, in certain circumstances, to assume a portion of AO's liabilities, including costs of legal fees together with amounts paid in settlements and judgments, allocable to AO respiratory products used prior to the 1990 purchase by the Cabot subsidiary. In exchange for the subsidiary's assumption of certain of AO's respirator liabilities, AO agreed to provide to the subsidiary the benefits of: (i) AO's insurance coverage for the period prior to the 1990 acquisition and (ii) a former owner's indemnity of AO holding it harmless from any liability allocable to AO respiratory products used prior to May 1982.

Generally, these respirator liabilities involve claims for personal injury, including asbestosis, silicosis and coal worker's pneumoconiosis, allegedly resulting from the use of respirators that are claimed to have been negligently designed or labeled. Neither Cabot, nor its past or present subsidiaries, at any time manufactured asbestos or asbestos-containing products. Moreover, not every person with exposure to asbestos, silica or coal mine dust giving rise to a claim used a form of respiratory protection. At no time did this respiratory product line represent a significant portion of the respirator market. In addition, other parties, including AO, AO's insurers, and another former owner and its insurers (collectively, the "Payor Group"), are responsible for significant portions of the costs of these liabilities, leaving Cabot's subsidiary with a portion of the liability in only some of the pending cases.

The subsidiary transferred the business to Aearo Corporation ("Aearo") in July 1995. Cabot agreed to have the subsidiary retain certain liabilities allocable to respirators used prior to the 1995 transaction so long as Aearo paid, and continues to pay, Cabot an annual fee of \$400,000. Aearo can discontinue payment of the fee at any time, in which case it will assume the responsibility for and indemnify Cabot against the liabilities allocable to respirators manufactured and used prior to the 1995 transaction. Cabot anticipates that it will continue to receive payment of the \$400,000 fee from Aearo and thereby retain these liabilities for the foreseeable future. Cabot has no liability in connection with any products manufactured by Aearo after 1995.

As of September 30, 2011 and 2010, there were approximately 42,000 and 45,000 claimants, respectively, in pending cases asserting claims against AO in connection with respiratory products. Cabot has contributed to the Payor Group's defense and settlement costs with respect to a percentage of pending



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claims depending on several factors, including the period of alleged product use. In order to quantify Cabot's estimated share of liability for pending and future respirator liability claims, Cabot engaged, through counsel, the assistance of Hamilton, Rabinovitz & Alschuler, Inc. ("HR&A"), a leading consulting firm in the field of tort liability valuation. The methodology developed by HR&A addresses the complexities surrounding Cabot's potential liability by making assumptions about future claimants with respect to periods of asbestos, silica and coal mine dust exposure and respirator use. Using those and other assumptions, HR&A estimated the number of future asbestos, silica and coal mine dust claims that would be filed and the related costs that would be incurred in resolving both currently pending and future claims. On this basis, HR&A then estimated the net present value of the share of these liabilities that reflected Cabot's period of direct manufacture and Cabot's contractual obligations. Based on the HR&A estimates, Cabot has a reserve for these matters of \$11 million on a net present value basis (\$16 million on an undiscounted basis) at September 30, 2011.

Cabot's current estimate of the cost of its share of existing and future respirator liability claims is based on facts and circumstances existing at this time. Developments that could affect its estimate include, but are not limited to, (i) significant changes in the number of future claims, (ii) changes in the rate of dismissals without payment of pending silica and non-malignant asbestos claims, (iii) significant changes in the average cost of resolving claims, (iv) significant changes in the legal costs of defending these claims, (v) changes in the nature of claims received, (vi) changes in the law and procedure applicable to these claims, (vii) the financial viability of members of the Payor Group, (viii) a change in the availability of AO's insurance coverage or the indemnity provided by AO's former owner, (ix) changes in the allocation of costs among the Payor Group and (x) a determination that the Company's assumptions regarding the contractual obligations on which it has estimated its share of liability are inaccurate. Cabot cannot determine the impact of these potential developments on its current estimate of its share of liability for existing and future claims. Accordingly, the actual amount of these liabilities for existing and future claims could be different than the reserved amount.

The \$11 million liability for respirator claims is recognized on a discounted basis using a discount rate of 5.3%, which represents management's best estimate of the risk free rate to apply to the cash flow payments of the liability that are projected through 2062. The total expected aggregate undiscounted amount of future payments is \$16 million. Cabot estimates payments of approximately \$2 million, \$1 million, \$1 million, \$1 million, and \$1 million in fiscal 2012, 2013, 2014, 2015 and 2016, respectively, and a total of \$10 million in fiscal 2017 through 2062. The book value of the liabilities will be accreted up to the undiscounted liability value through interest expense over the expected cash flow period, which was less than \$1 million in fiscal 2011. Cash payments were \$5 million in fiscal 2011 and \$2 million in each of 2010 and 2009 related to this liability. If the timing of Cabot's actual payments made for respirator claims differs significantly from the Company's estimated payment schedule, and the Company determines that it can no longer reasonably predict the timing of such payments, Cabot then could be required to record the reserve amount on an undiscounted basis on its Consolidated Balance Sheets, causing an immediate impact to earnings.

### *Other*

During the fiscal year ended September 30, 2011, the Company recognized a benefit of approximately \$9 million related to a legal judgment associated with a feedstock pipeline breakage that occurred in a prior period. This benefit was recorded within Cost of sales and Other expense in the Consolidated Statements of Operations.

The Company has various other lawsuits, claims and contingent liabilities arising in the ordinary course of its business and with respect to the Company's divested businesses. In the opinion of the Company, although final disposition of some or all of these other suits and claims may impact the Company's financial statements in a particular period, they are not expected in the aggregate to have a material adverse effect on the Company's financial position.

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[Table of Contents](#)**Note U. Concentration of Credit Risk**

Credit risk represents the loss that would be recognized if counterparties failed to completely perform as contracted. Financial instruments that subject Cabot to credit risk consist principally of cash and cash equivalents, investments, trade receivables and derivatives. Cabot maintains financial instruments with major banks and financial institutions. The Company has not experienced any material credit losses related to these instruments held at these financial institutions. Furthermore, concentrations of credit risk exist for groups of customers when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

No customer individually represented 10% or more of consolidated net sales for fiscal 2011. During fiscal 2010 and 2009, The Goodyear Tire and Rubber Company accounted for approximately 12% and 11%, respectively, of Cabot's annual consolidated net sales.

Tire manufacturers in the Rubber Blacks Business comprise a significant portion of Cabot's trade receivable balance. The accounts receivable balance for these significant customers are as follows:

	September 30	
	2011	2010
	(Dollars in millions)	
Tire manufacturers	\$ 318	\$ 259

Cabot has not experienced significant losses in the past from these customers. Cabot monitors its exposure to customers to manage potential credit losses.

**Note V. Financial Information by Segment & Geographic Area*****Segment Information***

Cabot is organized into four business segments: the Core Segment, the Performance Segment, the New Business Segment and the Specialty Fluids Segment. During the fourth quarter of fiscal 2011, management made changes in its business organizational and financial reporting structure. First, the Cabot Elastomer Composites Business was reclassified from the Rubber Blacks Business in the Core Segment to the New Business Segment to enable the Business to have a stronger focus on the penetration of elastomer composite products in non-tire applications. Second, corporate business development costs related to new technology efforts in areas such as energy storage and discharge in battery applications, solar energy applications, and graphenes in composite materials were reclassified from the New Business Segment to Unallocated corporate costs. This change was made because these efforts support the entire Company. Finally, the effect on cost of sales from LIFO inventory assumptions, which was formerly allocated to the Segments, is now an unallocated expense and included in the line entitled General unallocated (expense) income in the financial information by segment table below to ensure better clarity of fundamental business profitability. In addition, during the fourth quarter of fiscal 2011, Cabot entered into an agreement to sell its Supermetals Business. As a result, the results of operations for the Supermetals Business are now reported as a discontinued operation, and overhead costs that had previously been allocated to the Business have been allocated to the remaining Segments.

While the Chief Operating Decision Maker uses a number of performance measures to manage the performance of the segments and allocate resources to them, segment operating profit (loss) before interest and taxes ("Segment EBIT") is the measure that is most consistently used and is, therefore, the measure presented for each segment in the financial information by segment table below on the line entitled Income (loss) before taxes. Segment EBIT excludes certain items, meaning items considered by management to be unusual and not representative of segment results. In addition, Segment EBIT includes Equity in net income of affiliated companies, net of tax, royalties paid by equity affiliates and Net income attributable to noncontrolling interests, net of tax, but exclude Interest expense, foreign currency transaction gains and losses, interest income, dividend income, unearned revenue, the effects of LIFO accounting for inventory as stated above, and unallocated general and corporate costs. Segment assets exclude cash, short-term

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investments, cost investments, income taxes receivable, deferred taxes and headquarters' assets, which are included in unallocated and other. Expenditures for additions to long-lived assets include total equity and other investments (including available-for-sale securities), property, plant and equipment, intangible assets and assets held for rent.

### *Core Segment*

Rubber Blacks products are used in tires and industrial products. Rubber blacks have traditionally been used in the tire industry as a rubber reinforcing agent and are also used as a performance additive. In industrial products such as hoses, belts, extruded profiles and molded goods, rubber blacks are used to improve the physical performance of the product.

### *Performance Segment*

The Performance Segment is comprised of two product lines: specialty grades of carbon black and masterbatch products (referred to together as "Performance Products"); and fumed silica, fumed alumina and dispersions thereof (referred to together as "Fumed Metal Oxides"). The net sales from each of these businesses for fiscal 2011, 2010 and 2009 are as follows:

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Performance Products Business	\$ 626	\$ 531	\$ 410
Fumed Metal Oxides Business	254	252	210
Total Performance Segment	<u>\$ 880</u>	<u>\$ 783</u>	<u>\$ 620</u>

In each product line, the business designs, manufactures and sells materials that deliver performance in a broad range of customer applications across the automotive, construction and infrastructure, and electronics and consumer products sectors.

Cabot's specialty grades of carbon black are used to impart color, provide rheology control, enhance conductivity and static charge control, provide UV protection, enhance mechanical properties, and provide chemical flexibility through surface treatment. These products are used in a wide variety of applications, such as inks, coatings, cables, pipes, toners and electronics. In addition, Cabot manufactures and sources masterbatch products and compounds that are marketed to the plastics industry.

Fumed silica is an ultra-fine, high-purity particle used as a reinforcing, thickening, abrasive, thixotropic, suspending or anti-caking agent in a wide variety of products produced for the automotive, construction, microelectronics, and consumer products industries. These products include adhesives, sealants, cosmetics, inks, toners, silicone rubber, coatings, polishing slurries and pharmaceuticals. Fumed alumina, also an ultra-fine, high-purity particle, is used as an abrasive, absorbent or barrier agent in a variety of products, such as inkjet media, lighting, coatings, cosmetics and polishing slurries.

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### *New Business Segment*

The New Business Segment is comprised of the Inkjet Colorants, Aerogel, Cabot Superior MicroPowders ("CSMP"), and Cabot Elastomer Composites ("CEC") Businesses. The net sales from each of these Businesses are as follows:

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Inkjet Colorants Business	\$ 65	\$ 57	\$ 46
Aerogel Business	24	24	15
Cabot Superior MicroPowders Business	11	7	4
Cabot Elastomer Composites Business	17	17	5
Total New Business Segment	<u>\$ 117</u>	<u>\$ 105</u>	<u>\$ 70</u>

The Inkjet Colorants Business produces and sells aqueous inkjet colorants primarily to the inkjet printing market. The Company's inkjet colorants are high-quality pigment-based black and other colorant dispersions manufactured by surface treating specialty grades of carbon black and other pigments. The dispersions are used in aqueous inkjet inks to impart color (optical density or chroma) with improved durability (waterfastness, lightfastness and rub resistance) while maintaining high printhead reliability. Cabot's inkjet colorants are produced for various inkjet printing applications including small office and home office, corporate office, and commercial and industrial printing, as well as for other niche applications that require a high level of dispersibility and colloidal stability.

Cabot's aerogel is a hydrophobic, silica-based particle with a high surface area that is used in a variety of thermal insulation and specialty chemical applications. In the construction industry, the product is used in insulative composite building products and translucent skylight, window, wall and roof systems for insulating eco-daylighting applications. In the oil and gas industry, aerogel is used to insulate subsea pipelines. In the specialty chemicals industry, the product is used to provide matte finishing, insulating and thickening properties for use in a variety of applications. The Company continues to focus on application and market development activities for use of aerogel in these and other new applications.

The principal area of commercial focus for CSMP is in developing covert taggants for a broad range of anti-counterfeiting security applications, including brand security, currency, tax stamps, identification and fuel markers. Covert taggants are invisible, unique markers that are added to products to determine their authenticity through the use of custom detectors or readers. The Company's taggants are manufactured using a proprietary process, which produces highly uniform materials with unique signatures.

In addition to the carbon black the Company makes using conventional carbon black manufacturing methods, it has developed elastomer composite products that are compounds of natural latex rubber and carbon black made by a patented liquid phase process. The Company believes that these compounds improve abrasion/wear resistance, reduce fatigue and reduce rolling resistance compared to natural rubber/carbon black compounds made by conventional methods. The Company's CEC products are targeted for tire, defense, mining, automotive, and aerospace applications.

### *Specialty Fluids Segment*

The Specialty Fluids Segment produces and markets cesium formate as a drilling and completion fluid for use primarily in high pressure and high temperature oil and gas well construction. Cesium formate products are solids-free, high-density fluids that have a low viscosity, enabling safe and efficient well construction and workover operations. The fluid is resistant to high temperatures, minimizes damage to producing reservoirs and is readily biodegradable in accordance with testing guidelines set by the Organization for Economic Cooperation and Development. In a majority of applications, cesium formate is blended with other formates or products.

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Financial information by segment is as follows:

	<u>Core Segment</u>	<u>Performance Segment</u>	<u>New Business Segment</u>	<u>Specialty Fluids Segment</u>	<u>Segment Total</u>	<u>Unallocated and Other<sup>(1), (3)</sup></u>	<u>Consolidated Total</u>
(Dollars in millions)							
<b>Years Ended September 30</b>							
<b>2011</b>							
Revenues from external customers <sup>(2)</sup>	1,952	880	117	69	3,018	84	3,102
Depreciation and amortization	80	37	11	3	131	8	139
Equity in earnings of affiliated companies	7	1	—	—	8	—	8
Income (loss) from continuing operations before taxes <sup>(3)</sup>	183	140	9	22	354	(151)	203
Assets <sup>(4)</sup>	1,509	661	90	101	2,361	780	3,141
Investment in equity-based affiliates	50	10	—	—	60	—	60
Total expenditures for additions to long-lived assets <sup>(5)</sup>	126	99	7	3	235	6	241
<b>2010</b>							
Revenues from external customers <sup>(2)</sup>	1,660	783	105	81	2,629	87	2,716
Depreciation and amortization	74	35	10	2	121	16	137
Equity in earnings of affiliated companies	6	1	—	—	7	—	7
Income (loss) from continuing operations before taxes <sup>(3)</sup>	139	125	15	35	314	(148)	166
Assets <sup>(4)</sup>	1,277	544	93	95	2,009	877	2,886
Investment in equity-based affiliates	51	10	—	—	61	—	61
Total expenditures for additions to long-lived assets <sup>(5)</sup>	62	38	3	1	104	3	107
<b>2009</b>							
Revenues from external customers <sup>(2)</sup>	1,283	620	70	64	2,037	71	2,108
Depreciation and amortization	99	46	11	2	158	6	164
Equity in earnings of affiliated companies	5	—	—	—	5	—	5
Income (loss) from continuing operations before taxes <sup>(3)</sup>	21	25	(3)	18	61	(160)	(99)
Assets <sup>(4)</sup>	1,215	507	93	78	1,893	783	2,676
Investment in equity-based affiliates	56	4	—	—	60	—	60
Total expenditures for additions to long-lived assets <sup>(5)</sup>	72	32	4	1	109	1	110

<sup>(1)</sup> Unallocated and other includes certain items and eliminations that are not allocated to the operating segments. Management does not consider these items necessary for an understanding of the operating results of these segments and such amounts are excluded in the segment reporting to the Chief Operating Decision Maker.

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- (2) Unallocated and other reflects royalties paid by equity affiliates, external shipping and handling fees, and the impact of the corporate adjustment for unearned revenue.

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Royalties received from equity affiliates and other operating revenues	\$ (2)	\$ 7	\$ 6
Shipping and handling fees	86	80	65
Total	<u>\$ 84</u>	<u>\$ 87</u>	<u>\$ 71</u>

- (3) Income (loss) from continuing operations before taxes for Unallocated and Other includes:

	Years Ended September 30		
	2011	2010	2009
	(Dollars in millions)		
Interest expense	\$ (39)	\$ (40)	\$ (30)
Certain items <sup>(a)</sup>	(19)	(53)	(92)
Equity in net income of affiliated companies <sup>(b)</sup>	(8)	(7)	(5)
Unallocated corporate costs <sup>(c)</sup>	(53)	(48)	(36)
General unallocated (expense) income <sup>(d)</sup>	(32)	—	3
Total	<u>\$ (151)</u>	<u>\$ (148)</u>	<u>\$ (160)</u>

(a) Certain items are items that management does not consider to be representative of segment results and they are, therefore, excluded from segment EBIT. Certain items for fiscal 2011 primarily include charges for global restructuring activities discussed in Note P. Certain items for fiscal 2010 include \$46 million related to global restructuring activities, \$3 million for environmental reserves and legal settlements, \$2 million long-lived asset impairment of land related to a former carbon black site, and a \$2 million addition in the reserve for respirator claims. For fiscal 2009, certain items include charges of \$87 million for the Company's global restructuring activities, \$4 million for executive transition costs, and \$1 million for the write-down of impaired investments.

(b) Equity in net income of affiliated companies is included in segment EBIT and is removed from Unallocated and other to reconcile to income (loss) from operations before taxes.

(c) Unallocated corporate costs are not controlled by the segments and primarily benefit corporate interests.

(d) General unallocated (expense) income consists of gains (losses) arising from foreign currency transactions, net of other foreign currency risk management activities, the impact of accounting for certain inventory on a LIFO basis, and the profit or loss related to the corporate adjustment for unearned revenue. Additionally, for fiscal 2011, this amount included a \$3 million charge related to a change in the net worth tax regulations in Colombia, and \$3 million related to a portion of the benefit from a legal judgment.

- (4) Unallocated and Other assets includes cash, marketable securities, cost investments, income taxes receivable, deferred taxes, headquarters' assets, and Current and Non-current assets held for sale.

- (5) Expenditures for additions to long-lived assets include total equity and other investments, property, plant and equipment, intangible assets and assets held for rent.

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**Geographic Information**

Sales are attributed to the United States and to all foreign countries based on the location from which the sale originated. Revenues from external customers and long-lived assets attributable to an individual country, other than the United States and China, were not material for disclosure.

Revenues from external customers and long-lived asset information by geographic area are summarized as follows:

	United States	China	Other Foreign Countries	Consolidated Total
	(Dollars in millions)			
<b>Years Ended September 30,</b>				
<b>2011</b>				
Revenues from external customers	\$ 589	\$ 554	\$ 1,959	\$ 3,102
Long-lived assets <sup>(1)</sup>	\$ 240	\$ 280	\$ 650	\$ 1,170
<b>2010</b>				
Revenues from external customers	\$ 546	\$ 458	\$ 1,712	\$ 2,716
Long-lived assets <sup>(1)</sup>	\$ 233	\$ 210	\$ 640	\$ 1,083
<b>2009</b>				
Revenues from external customers	\$ 332	\$ 281	\$ 1,495	\$ 2,108
Long-lived assets <sup>(1)</sup>	\$ 320	\$ 201	\$ 593	\$ 1,114

<sup>(1)</sup> Long-lived assets include total equity and other investments, net property, plant and equipment, net intangible assets and assets held for rent.

**Note W. Unaudited Quarterly Financial Information**

Unaudited financial results by quarter for fiscal 2011 and 2010 are summarized below.

	Quarter Ended				
	December	March	June	September	Year
	(Dollars in millions, except per share amounts and ratios)				
<b>Fiscal 2011</b>					
<b>Consolidated Net Income</b>					
Net sales and other operating revenues	\$ 694	\$ 739	\$ 836	\$ 833	\$ 3,102
Gross profit	131	134	152	141	558
Selling and administrative expenses	63	62	61	63	249
Research and technical expenses	15	18	16	17	66
Income from operations	53	54	75	61	243
Net interest expense and other charges	(7)	(6)	(13)	(14)	(40)
Income from continuing operations before taxes	46	48	62	47	203
Benefit (provision) for income taxes	15	(9)	(10)	(2)	(6)
Equity in earnings of affiliated companies	3	1	2	2	8
Income from discontinued operations, net of tax	16	16	13	8	53
Net income	80	56	67	55	258
Net income attributable to noncontrolling interests, net of tax	5	5	7	5	22
Net income attributable to Cabot Corporation	\$ 75	\$ 51	\$ 60	\$ 50	\$ 236
Income per share - diluted:					
Income from continuing operations	\$ 0.88	\$ 0.52	\$ 0.73	\$ 0.64	\$ 2.77
Income from discontinued operations	0.25	0.24	0.19	0.12	0.80
Net income attributable to Cabot Corporation	\$ 1.13	\$ 0.76	\$ 0.92	\$ 0.76	\$ 3.57

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	Quarter Ended				
	December	March	June	September	Year
	(Dollars in millions, except per share amounts and ratios)				
Fiscal 2010					
Consolidated Net Income					
Net sales and other operating revenues	\$ 634	\$ 676	\$ 706	\$ 700	\$ 2,716
Gross profit	126	131	136	117	510
Selling and administrative expenses	67	58	62	54	241
Research and technical expenses	17	18	14	16	65
Income from operations	42	55	60	47	204
Net interest expense and other charges	(9)	(15)	(6)	(8)	(38)
Income from continuing operations before taxes	33	40	54	39	166
Benefit (provision) for income taxes	(8)	3	(14)	(11)	(30)
Equity in earnings of affiliated companies	3	1	1	2	7
Income from discontinued operations, net of tax	6	3	10	7	26
Net income	34	47	51	37	169
Net income attributable to noncontrolling interests, net of tax	5	4	4	2	15
Net income attributable to Cabot Corporation	\$ 29	\$ 43	\$ 47	\$ 35	\$ 154
Income per share - diluted:					
Income from continuing operations	\$ 0.36	\$ 0.59	\$ 0.57	\$ 0.42	\$ 1.94
Income from discontinued operations	0.08	0.06	0.15	0.12	0.41
Net income attributable to Cabot Corporation	\$ 0.44	\$ 0.65	\$ 0.72	\$ 0.54	\$ 2.35



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of Cabot Corporation  
Boston, Massachusetts

We have audited the accompanying consolidated balance sheets of Cabot Corporation and subsidiaries (the "Company") as of September 30, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income (loss) and cash flows for each of the three years in the period ended September 30, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cabot Corporation and subsidiaries as of September 30, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 29, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Boston, Massachusetts  
November 29, 2011

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of Cabot Corporation  
Boston, Massachusetts

We have audited the internal control over financial reporting of Cabot Corporation and subsidiaries (the "Company") as of September 30, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended September 30, 2011 of the Company and our report dated November 29, 2011 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Boston, Massachusetts  
November 29, 2011

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**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

**Item 9A. *Controls and Procedures***

**Disclosure Controls and Procedures**

Cabot carried out an evaluation, under the supervision and with the participation of its management, including the Company's President and Chief Executive Officer and its Executive Vice President and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2011. Based on that evaluation, Cabot's President and Chief Executive Officer and its Executive Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective with respect to the recording, processing, summarizing and reporting, within the time periods specified in the Securities and Exchange Commission's rules and forms, of information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and such information is accumulated and communicated to management to allow timely decisions regarding required disclosure.

**Management's Annual Report on Internal Control Over Financial Reporting**

Cabot's management is responsible for establishing and maintaining adequate internal control over financial reporting for Cabot. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, a company's principal executive and principal financial officers, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Cabot's management assessed the effectiveness of Cabot's internal control over financial reporting as of September 30, 2011 based on the framework established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, Cabot's management concluded that Cabot's internal control over financial reporting was effective as of September 30, 2011.

Cabot's internal control over financial reporting as of September 30, 2011 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report above.

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**Changes in Internal Control Over Financial Reporting**

There were no changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ending September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B.      *Other Information***

None.

**PART III**

**Item 10.        *Directors, Executive Officers and Corporate Governance***

Certain information regarding our executive officers is included at the end of Part I of this annual report under the heading "Executive Officers of the Registrant."

Cabot has adopted Global Ethics and Compliance Standards, a code of ethics that applies to all of the Company's employees and directors, including the Chief Executive Officer, the Chief Financial Officer, the Controller and other senior financial officers. The Global Ethics and Compliance Standards are posted on our website, [www.cabot-corp.com](http://www.cabot-corp.com) (under the "Governance" caption under "About Cabot"). We intend to satisfy the disclosure requirement regarding any amendment to, or waiver of, a provision of the Global Ethics and Compliance Standards applicable to the Chief Executive Officer, the Chief Financial Officer, the Controller or other senior financial officers by posting such information on our website.

The other information required by this item will be included in our Proxy Statement for the 2012 Annual Meeting of Stockholders ("Proxy Statement") and is herein incorporated by reference.

**Item 11.        *Executive Compensation***

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference.

**Item 12.        *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference.

**Item 13.        *Certain Relationships and Related Transactions, and Director Independence***

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference.

**Item 14.        *Principal Accounting Fees and Services***

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

- (a) *Financial Statements.* See "Index to Financial Statements" under Item 8 on page 54 of this Form 10-K.
- (b) *Exhibits.* (Certain exhibits not included in copies of the Form 10-K sent to stockholders.)

The exhibit numbers in the following list correspond to the numbers assigned to such exhibits in the Exhibit Table of Item 601 of Regulation S-K. Cabot will furnish to any stockholder, upon written request, any exhibit listed below, upon payment by such stockholder of the Company's reasonable expenses in furnishing such exhibit.

<b>Exhibit Number</b>	<b>Description</b>
3(a)	Restated Certificate of Incorporation of Cabot Corporation effective January 9, 2009 (incorporated herein by reference to Exhibit 3.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
3(b)†	The By-laws of Cabot Corporation as amended September 9, 2011.
4(a)(i)	Indenture, dated as of December 1, 1987, between Cabot Corporation and The First National Bank of Boston, Trustee (the "Indenture") (incorporated herein by reference to Exhibit 4 of Amendment No. 1 to Cabot's Registration Statement on Form S-3, Registration Statement No. 33-18883, filed with the SEC on December 10, 1987).
4(a)(ii)	First Supplemental Indenture, dated as of June 17, 1992, to the Indenture (incorporated herein by reference to Exhibit 4.3 of Cabot's Registration Statement on Form S-3, Registration Statement No. 33-48686, filed with the SEC on June 18, 1992).
4(a)(iii)	Second Supplemental Indenture, dated as of January 31, 1997, between Cabot Corporation and State Street Bank and Trust Company, Trustee (incorporated herein by reference to Exhibit 4 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1996, file reference 1-5667, filed with the SEC on February 14, 1997).
4(a)(iv)	Third Supplemental Indenture, dated as of November 20, 1998, between Cabot Corporation and State Street Bank and Trust Company, Trustee (incorporated herein by reference to Exhibit 4.1 of Cabot's Current Report on Form 8-K, dated November 20, 1998, file reference 1-5667, filed with the SEC on November 20, 1998).
4(a)(v)	Indenture, dated as of September 21, 2009, between Cabot Corporation and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 of Cabot's Registration Statement on Form S-3 ASR, Registration Statement No. 333-162021, filed with the SEC on September 21, 2009).
4(a)(vi)	First Supplemental Indenture, dated as of September 24, 2009, between Cabot Corporation and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 of Cabot's Current Report on Form 8-K dated September 24, 2009, file reference 1-5667, filed with the SEC on September 24, 2009).
10(a) †	Credit Agreement, dated August 26, 2011, among Cabot Corporation, JPMorgan Chase Bank, N.A., JP Morgan Securities LLC, Citigroup Global Markets Inc., Citibank, N.A., Bank of America, N.A., and Mizuho Corporate Bank, Ltd., and the other lenders party thereto.
10(b)(i)*	2009 Long-Term Incentive Plan (incorporated herein by reference to Appendix B of Cabot's Proxy Statement on Schedule 14A relating to the 2009 Annual Meeting of Stockholders, file reference 1-5667, filed with the SEC on January 28, 2009).

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<b>Exhibit Number</b>	<b>Description</b>
10(b)(ii)*	Non-Employee Directors' Stock Compensation Plan (incorporated herein by reference to Appendix B of Cabot's Proxy Statement on Schedule 14A relating to the 2006 Annual Meeting of Stockholders, file reference 1-5667, filed with the SEC on January 30, 2006).
10(b)(iii)*	Cabot Corporation Short-Term Incentive Compensation Plan (incorporated herein by reference to Appendix A of Cabot's Proxy Statement on Schedule 14A relating to the 2011 Annual Meeting of Stockholders, file reference 1-5667, filed with the SEC on January 28, 2011).
10(b)(iv)*	2006 Long-Term Incentive Plan (incorporated herein by reference to Appendix B of Cabot's Proxy Statement on Schedule 14A relating to the 2006 Annual Meeting of Stockholders, file reference 1-5667, filed with the SEC on January 30, 2006).
10(c)	Note Purchase Agreement between John Hancock Mutual Life Insurance Company, State Street Bank and Trust Company, as trustee for the Cabot Corporation Employee Stock Ownership Plan, and Cabot Corporation, dated as of November 15, 1988 (incorporated by reference to Exhibit 10(c) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1988, file reference 1-5667, filed with the SEC on December 29, 1988).
10(d)(i)*	Cabot Corporation Amended and Restated Supplemental Cash Balance Plan dated December 31, 2008 (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
10(d)(ii)*	Cabot Corporation Amended and Restated Supplemental Retirement Savings Plan dated December 31, 2008 (incorporated by reference to Exhibit 10.2 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
10(d)(iii)*	Cabot Corporation Deferred Compensation Plan dated January 1, 1995 (incorporated herein by reference to Exhibit 10(e)(v) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1995, file reference 1-5667, filed with the SEC on December 29, 1995).
10(d)(iv)*	Amendment 1997-I to Cabot Corporation Deferred Compensation Plan dated June 30, 1997 (incorporated herein by reference to Exhibit 10(d)(vi) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1997, file reference 1-5667, filed with the SEC on December 24, 1997).
10(d)(v)*	Cabot Corporation Amended and Restated Deferred Compensation Plan dated July 13, 2007 (incorporated herein by reference to Exhibit 10(d)(viii) of Cabot's Annual Report on Form 10-K for the year ended September 30, 2007, file reference 1-5667, filed with the SEC on November 29, 2007).
10(d)(vi)*	Amendment No. 1 to Cabot Corporation Amended and Restated Deferred Compensation Plan dated November 9, 2007 (incorporated herein by reference to Exhibit 10.2 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2007, file reference 1-5667, filed with the SEC on February 11, 2008).
10(d)(vii)*	Non-Employee Directors' Stock Deferral Plan dated July 14, 2006 (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006, file reference 1-5667, filed with the SEC on August 9, 2006).
10(d)(viii)*	Amendment No. 1 to Cabot Corporation Non-Employee Directors' Stock Deferral Plan dated November 9, 2007 (incorporated herein by reference to Exhibit 10.2 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2007, file reference 1-5667, filed with the SEC on February 11, 2008).

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<b>Exhibit Number</b>	<b>Description</b>
10(d)(ix)*	Amendment No. 2 to Cabot Corporation Amended and Restated Deferred Compensation Plan dated December 31, 2008 (incorporated herein by reference to Exhibit 10.5 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
10(e)*	Summary of Compensation for Non-Employee Directors (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, file reference 1-5667, filed with the SEC on August 9, 2010).
10(f)	Asset Transfer Agreement, dated as of June 13, 1995, among Cabot Safety Corporation, Cabot Canada Ltd., Cabot Safety Limited, Cabot Corporation, Cabot Safety Holdings Corporation and Cabot Safety Acquisition Corporation (incorporated herein by reference to Exhibit 2(a) of Cabot Corporation's Current Report on Form 8-K dated July 11, 1995, file reference 1-5667, filed with the SEC on July 26, 1995).
10(g)(i)*	Cabot Corporation Senior Management Severance Protection Plan, effective January 9, 1998 (incorporated herein by reference to Exhibit 10(a) of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1997, file reference 1-5667, filed with the SEC on February 17, 1998).
10(g)(ii)*	Amendment to Cabot Corporation Senior Management Severance Protection Plan, effective January 12, 2007 (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2006, file reference 1-5667, filed with the SEC on February 9, 2007).
10(g)(iii)*	Amendment to Cabot Corporation Senior Management Severance Protection Plan dated December 31, 2008 (incorporated herein by reference to Exhibit 10.3 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
10(h)	Fiscal Agency Agreement dated as of September 24, 2003 among Cabot Finance B.V., Cabot Corporation, and U.S. Bank Trust National Association (incorporated herein by reference to Exhibit 10(l) of Cabot's Annual Report on Form 10-K for the year ended September 30, 2003, file reference 1-5667, filed with the SEC on December 23, 2003).
10(i)†	Sale and Purchase Agreement dated August 24, 2011 by and among Cabot Corporation, GAM International Pty Ltd and Global Advanced Metals Pty Ltd.
10(j)*	Terms of Employment for David Miller effective September 14, 2009 (incorporated herein by reference to Exhibit 10(k) of Cabot's Annual Report on Form 10-K for the year ended September 30, 2009, file reference 1-5667, filed with the SEC on November 30, 2009).
10(k)(i)*	Form of Restricted Stock Unit Award Certificate under the Cabot Corporation 2009 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.2 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2009, file reference 1-5667, filed with the SEC on February 9, 2010).
10(k)(ii)*	Form of Non-Qualified Stock Option Award Agreement under the Cabot Corporation 2009 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.2 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2009, file reference 1-5667, filed with the SEC on February 9, 2010).



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Exhibit Number	Description
21†	Subsidiaries of Cabot Corporation.
23(i)†	Consent of Deloitte & Touche LLP.
31(i)†	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
31(ii)†	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32††	Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
101.INS†††	XBRL Instance Document.
101.SCH†††	XBRL Taxonomy Extension Schema Document.
101.CAL†††	XBRL Taxonomy Calculation Linkbase Document.
101.DEF†††	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB†††	XBRL Taxonomy Label Linkbase Document.
101.PRE†††	XBRL Taxonomy Presentation Linkbase Document.

\* Management contract or compensatory plan or arrangement.

† Filed herewith.

†† Furnished herewith.

††† Users of this data are advised that pursuant to Rule 406T of Regulation S-T these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under these sections.

(c) *Schedules. The Schedules have been omitted because they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.*

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CABOT CORPORATION

BY: /S/ PATRICK M. PREVOST  
**Patrick M. Prevost**  
**President and Chief Executive Officer**

Date: November 29, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<b>Signatures</b>	<b>Title</b>	<b>Date</b>
<u>/S/ PATRICK M. PREVOST</u> <b>Patrick M. Prevost</b>	Director, President and Chief Executive Officer	November 29, 2011
<u>/S/ EDUARDO E. CORDEIRO</u> <b>Eduardo E. Cordeiro</b>	Executive Vice President and Chief Financial Officer (principal financial officer)	November 29, 2011
<u>/S/ JAMES P. KELLY</u> <b>James P. Kelly</b>	Vice President and Controller (principal accounting officer)	November 29, 2011
<u>/S/ JOHN F. O'BRIEN</u> <b>John F. O'Brien</b>	Director, Non-Executive Chairman of the Board	November 29, 2011
<u>/S/ JOHN S. CLARKESON</u> <b>John S. Clarkeson</b>	Director	November 29, 2011
<u>/S/ JUAN ENRIQUEZ-CABOT</u> <b>Juan Enriquez-Cabot</b>	Director	November 29, 2011
<u>/S/ GAUTAM S. KAJI</u> <b>Gautam S. Kaji</b>	Director	November 29, 2011
<u>/S/ RODERICK C.G. MACLEOD</u> <b>Roderick C.G. MacLeod</b>	Director	November 29, 2011
<u>/S/ HENRY F. MCCANCE</u> <b>Henry F. McCance</b>	Director	November 29, 2011
<u>/S/ JOHN K. MCGILLICUDDY</u> <b>John K. McGillicuddy</b>	Director	November 29, 2011
<u>/S/ RONALDO H. SCHMITZ</u> <b>Ronaldo H. Schmitz</b>	Director	November 29, 2011
<u>/S/ SUE H. RATAJ</u> <b>Sue H. Rataj</b>	Director	November 29, 2011

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Signatures	Title	Date
/S/ LYDIA W. THOMAS	Director	November 29, 2011
Lydia W. Thomas		
/S/ MARK S. WRIGHTON	Director	November 29, 2011
Mark S. Wrighton		

## EXHIBIT INDEX

Exhibit Number	Description
3(a)	Restated Certificate of Incorporation of Cabot Corporation effective January 9, 2009 (incorporated herein by reference to Exhibit 3.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
3(b)†	The By-laws of Cabot Corporation as amended September 9, 2011.
4(a)(i)	Indenture, dated as of December 1, 1987, between Cabot Corporation and The First National Bank of Boston, Trustee (the "Indenture") (incorporated herein by reference to Exhibit 4 of Amendment No. 1 to Cabot's Registration Statement on Form S-3, Registration Statement No. 33-18883, filed with the SEC on December 10, 1987).
4(a)(ii)	First Supplemental Indenture, dated as of June 17, 1992, to the Indenture (incorporated herein by reference to Exhibit 4.3 of Cabot's Registration Statement on Form S-3, Registration Statement No. 33-48686, filed with the SEC on June 18, 1992).
4(a)(iii)	Second Supplemental Indenture, dated as of January 31, 1997, between Cabot Corporation and State Street Bank and Trust Company, Trustee (incorporated herein by reference to Exhibit 4 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1996, file reference 1-5667, filed with the SEC on February 14, 1997).
4(a)(iv)	Third Supplemental Indenture, dated as of November 20, 1998, between Cabot Corporation and State Street Bank and Trust Company, Trustee (incorporated herein by reference to Exhibit 4.1 of Cabot's Current Report on Form 8-K, dated November 20, 1998, file reference 1-5667, filed with the SEC on November 20, 1998).
4(a)(v)	Indenture, dated as of September 21, 2009, between Cabot Corporation and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 of Cabot's Registration Statement on Form S-3 ASR, Registration Statement No. 333-162021, filed with the SEC on September 21, 2009).
4(a)(vi)	First Supplemental Indenture, dated as of September 24, 2009, between Cabot Corporation and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 of Cabot's Current Report on Form 8-K dated September 24, 2009, file reference 1-5667, filed with the SEC on September 24, 2009).
10(a)†	Credit Agreement, dated August 26, 2011, among Cabot Corporation, JPMorgan Chase Bank, N.A., JP Morgan Securities LLC, Citigroup Global Markets Inc., Citibank, N.A., Bank of America, N.A., and Mizuho Corporate Bank, Ltd., and the other lenders party thereto.
10(b)(i)*	2009 Long-Term Incentive Plan (incorporated herein by reference to Appendix B of Cabot's Proxy Statement on Schedule 14A relating to the 2009 Annual Meeting of Stockholders, file reference 1-5667, filed with the SEC on January 28, 2009).
10(b)(ii)*	Non-Employee Directors' Stock Compensation Plan (incorporated herein by reference to Appendix B of Cabot's Proxy Statement on Schedule 14A relating to the 2006 Annual Meeting of Stockholders, file reference 1-5667, filed with the SEC on January 30, 2006).
10(b)(iii)*	Cabot Corporation Short-Term Incentive Compensation Plan (incorporated herein by reference to Appendix A of Cabot's Proxy Statement on Schedule 14A relating to the 2011 Annual Meeting of Stockholders, file reference 1-5667, filed with the SEC on January 28, 2011).
10(b)(iv)*	2006 Long-Term Incentive Plan (incorporated herein by reference to Appendix B of Cabot's Proxy Statement on Schedule 14A relating to the 2006 Annual Meeting of Stockholders, file reference 1-5667, filed with the SEC on January 30, 2006).

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<b>Exhibit Number</b>	<b>Description</b>
10(c)	Note Purchase Agreement between John Hancock Mutual Life Insurance Company, State Street Bank and Trust Company, as trustee for the Cabot Corporation Employee Stock Ownership Plan, and Cabot Corporation, dated as of November 15, 1988 (incorporated by reference to Exhibit 10(c) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1988, file reference 1-5667, filed with the SEC on December 29, 1988).
10(d)(i)*	Cabot Corporation Amended and Restated Supplemental Cash Balance Plan dated December 31, 2008 (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
10(d)(ii)*	Cabot Corporation Amended and Restated Supplemental Retirement Savings Plan dated December 31, 2008 (incorporated by reference to Exhibit 10.2 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
10(d)(iii)*	Cabot Corporation Deferred Compensation Plan dated January 1, 1995 (incorporated herein by reference to Exhibit 10(e)(v) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1995, file reference 1-5667, filed with the SEC on December 29, 1995).
10(d)(iv)*	Amendment 1997-I to Cabot Corporation Deferred Compensation Plan dated June 30, 1997 (incorporated herein by reference to Exhibit 10(d)(vi) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1997, file reference 1-5667, filed with the SEC on December 24, 1997).
10(d)(v)*	Cabot Corporation Amended and Restated Deferred Compensation Plan dated July 13, 2007 (incorporated herein by reference to Exhibit 10(d)(viii) of Cabot's Annual Report on Form 10-K for the year ended September 30, 2007, file reference 1-5667, filed with the SEC on November 29, 2007).
10(d)(vi)*	Amendment No. 1 to Cabot Corporation Amended and Restated Deferred Compensation Plan dated November 9, 2007 (incorporated herein by reference to Exhibit 10.2 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2007, file reference 1-5667, filed with the SEC on February 11, 2008).
10(d)(vii)*	Non-Employee Directors' Stock Deferral Plan dated July 14, 2006 (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006, file reference 1-5667, filed with the SEC on August 9, 2006).
10(d)(viii)*	Amendment No. 1 to Cabot Corporation Non-Employee Directors' Stock Deferral Plan dated November 9, 2007 (incorporated herein by reference to Exhibit 10.2 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2007, file reference 1-5667, filed with the SEC on February 11, 2008).
10(d)(ix)*	Amendment No. 2 to Cabot Corporation Amended and Restated Deferred Compensation Plan dated December 31, 2008 (incorporated herein by reference to Exhibit 10.5 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
10(e)*	Summary of Compensation for Non-Employee Directors (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, file reference 1-5667, filed with the SEC on August 9, 2010).
10(f)	Asset Transfer Agreement, dated as of June 13, 1995, among Cabot Safety Corporation, Cabot Canada Ltd., Cabot Safety Limited, Cabot Corporation, Cabot Safety Holdings Corporation and Cabot Safety Acquisition Corporation (incorporated herein by reference to Exhibit 2(a) of Cabot Corporation's Current Report on Form 8-K dated July 11, 1995, file reference 1-5667, filed with the SEC on July 26, 1995).

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<b>Exhibit Number</b>	<b>Description</b>
10(g)(i)*	Cabot Corporation Senior Management Severance Protection Plan, effective January 9, 1998 (incorporated herein by reference to Exhibit 10(a) of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1997, file reference 1-5667, filed with the SEC on February 17, 1998).
10(g)(ii)*	Amendment to Cabot Corporation Senior Management Severance Protection Plan, effective January 12, 2007 (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2006, file reference 1-5667, filed with the SEC on February 9, 2007).
10(g)(iii)*	Amendment to Cabot Corporation Senior Management Severance Protection Plan dated December 31, 2008 (incorporated herein by reference to Exhibit 10.3 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
10(h)	Fiscal Agency Agreement dated as of September 24, 2003 among Cabot Finance B.V., Cabot Corporation, and U.S. Bank Trust National Association (incorporated herein by reference to Exhibit 10(l) of Cabot's Annual Report on Form 10-K for the year ended September 30, 2003, file reference 1-5667, filed with the SEC on December 23, 2003).
10(i)†	Sale and Purchase Agreement dated August 24, 2011 by and among Cabot Corporation, GAM International Pty Ltd and Global Advanced Metals Pty Ltd.
10(j)*	Terms of Employment for David Miller effective September 14, 2009 (incorporated herein by reference to Exhibit 10(k) of Cabot's Annual Report on Form 10-K for the year ended September 30, 2009, file reference 1-5667, filed with the SEC on November 30, 2009).
10(k)(i)*	Form of Restricted Stock Unit Award Certificate under the Cabot Corporation 2009 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.2 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2009, file reference 1-5667, filed with the SEC on February 9, 2010).
10(k)(ii)*	Form of Non-Qualified Stock Option Award Agreement under the Cabot Corporation 2009 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.2 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2009, file reference 1-5667, filed with the SEC on February 9, 2010).
21†	Subsidiaries of Cabot Corporation.
23(i)†	Consent of Deloitte & Touche LLP.
31(i)†	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
31(ii)†	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32††	Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350.

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Exhibit Number	Description
101.INS†††	XBRL Instance Document.
101.SCH†††	XBRL Taxonomy Extension Schema Document.
101.CAL†††	XBRL Taxonomy Calculation Linkbase Document.
101.DEF†††	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB†††	XBRL Taxonomy Label Linkbase Document.
101.PRE†††	XBRL Taxonomy Presentation Linkbase Document.

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\* Management contract or compensatory plan or arrangement.

† Filed herewith.

†† Furnished herewith.

††† Users of this data are advised that pursuant to Rule 406T of Regulation S-T these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under these sections.

**BY-LAWS  
OF  
CABOT CORPORATION**

**(As Amended through September 9, 2011)**

**Section 1. LAW, CERTIFICATE OF INCORPORATION AND BY-LAWS**

1.1 These by-laws are subject to the certificate of incorporation of the corporation. In these by-laws, references to law, the certificate of incorporation and by-laws mean the law, the provisions of the certificate of incorporation of the corporation and these by-laws as from time to time in effect.

**Section 2. STOCKHOLDERS**

2.1 Annual Meeting. The annual meeting of stockholders shall be held on such date and at such time as shall be designated by the board of directors each year (which date and time may subsequently be changed at any time, including the year any such designation occurs).

2.2 Special Meetings. A special meeting of the stockholders may be called at any time by the board of directors. Any such call shall state the place, time, and purposes of the meeting.

2.3 Place of Meeting; Adjournment. Meetings of the stockholders may be held at such place within or without the State of Delaware as may be designated by the board of directors in the call thereof. When any meeting is convened, the officer presiding at such meeting, if directed by the board of directors, may adjourn the meeting for a period of time not to exceed 30 days if (a) no quorum is present for the transaction of business or (b) the board of directors determines that adjournment is necessary or appropriate to enable the stockholders (i) to consider fully information which the board of directors determines has not been made sufficiently or timely available to stockholders or (ii) otherwise to exercise effectively their voting rights. The officer presiding at the meeting in such event shall announce the adjournment and date, time and place of reconvening and shall cause notice thereof to be posted at the place of meeting designated in the notice which was sent to the stockholders, and if such date is more than 10 days after the original date of the meeting the secretary or an assistant secretary shall give notice thereof in the manner provided in Section 2.4 of these by-laws.

2.4 Notice of Meetings. Except as otherwise provided by law, a written notice of each meeting of stockholders stating the place, day and hour thereof and, in the case of a special meeting, the purposes for which the meeting is called, shall be given not less than ten nor more than 60 days before the meeting, to each stockholder entitled to vote thereat, and to each stockholder who, by law, by the certificate of incorporation or by these by-laws, is entitled to notice, by leaving such notice at the stockholder's residence or usual place of business, or by depositing it in the United States mail, postage prepaid,



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and addressed to such stockholder at the stockholder's address as it appears in the records of the corporation. Such notice shall be given by the secretary or an assistant secretary, or in the case of their death, incapacity or refusal, by another officer or person designated by the board of directors. As to any adjourned session of any meeting of stockholders, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment was taken except that if the adjournment is for more than 30 days or if after the adjournment a new record date is set for the adjourned session, notice of any such adjourned session of the meeting shall be given in the manner heretofore described. No notice of any meeting of stockholders or any adjourned session thereof need be given to a stockholder if a written waiver of notice, executed before or after the meeting or such adjourned session by such stockholder, is filed with the records of the meeting or if the stockholder attends such meeting without objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the stockholders or any adjourned session thereof need be specified in any written waiver of notice.

2.5 Quorum of Stockholders. At any meeting of the stockholders, a quorum as to any matter shall consist of a majority of the votes entitled to be cast on the matter, except where a larger quorum is required by law, by the certificate of incorporation or by these by-laws. If a quorum is present at an original meeting, a quorum need not be present at an adjourned session of that meeting. Shares of its own stock belonging to the corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of any corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

2.6 Required Vote for Election of Directors. When a quorum is present at any meeting, a nominee for director shall be elected if the votes properly cast for such nominee's election exceed the votes properly cast against such nominee's election (abstentions shall not be considered to be votes cast); provided, however, that the directors shall be elected by a plurality of the votes properly cast at any meeting of stockholders for which (i) the corporation receives a notice that a stockholder has nominated a person for election as a director in compliance with the provisions for advance notice of nominations in Section 2.12 of these by-laws and (ii) such nomination has not been withdrawn on or prior to the tenth day preceding the date on which the corporation mails notice of the meeting to the stockholders. If nominees for director are to be elected by a plurality of the votes properly cast, stockholders shall not be permitted to vote against a nominee.

2.7 Required Vote for Other Matters. When a quorum is present at any meeting, a majority of the votes properly cast shall decide the question, except as otherwise required by law, by the certificate of incorporation or by these by-laws. If the corporation issues fractional shares of stock entitled to vote, holders of such fractional shares shall be entitled to exercise voting rights.

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2.8 No Action Without Meetings. Any action required or permitted to be taken by stockholders of the corporation must be taken at a duly called annual or special meeting of the corporation and may not be taken by any consent in writing by such stockholders.

2.9 Proxy Representation. Every stockholder may authorize another person or persons to act for him or her by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, objecting to or voting or participating at a meeting. Every proxy must be signed by the stockholder or by his or her attorney-in-fact. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally. The authorization of a proxy may but need not be limited to specified action; provided, however, that if a proxy limits its authorization to a meeting or meetings of stockholders, unless otherwise specifically provided such proxy shall entitle the holder thereof to vote at any adjourned session but shall not be valid after the final adjournment thereof.

2.10 Inspectors. The directors or the person presiding at the meeting may, but need not, appoint one or more inspectors of election and any substitute inspectors to act at the meeting or any adjournment thereof. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his or her ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes or ballots, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them.

2.11 List of Stockholders. The secretary shall prepare and make, or cause to be prepared and made, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The original or duplicate stock ledger shall be the only evidence as to who are stockholders entitled to examine such list or to vote in person or by proxy at such meeting.

2.12 Advance Notice of Stockholder Proposals and Nominations. Unless otherwise determined by the board of directors prior to a meeting of the stockholders, the officer presiding at such meeting, determined in accordance with these by-laws, shall determine the order of business and shall have the authority in his or her discretion to regulate the conduct of such meeting, including, without limitation, to impose restrictions

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on the persons (other than stockholders of the corporation or their duly appointed proxies) who may attend such meeting, to regulate and restrict the making of statements or asking of questions at such meeting and to cause the removal from such meeting of any person who has disrupted or appears likely to disrupt the proceedings at such meeting.

At a meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before any meeting of the stockholders, nominations of directors and the proposals of other business to be conducted must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (b) otherwise properly brought before the meeting by or at the direction of the board of directors, or (c) properly brought before the meeting by a stockholder who is a stockholder of record at the time of the giving by such stockholder of the notice provided for in this Section 2.12 below, who shall be entitled to vote for such matters at the meeting and who complies with the requirements of this Section 2.12 with respect to any business sought to be brought before the meeting or the nomination of directors. Clause (c) of this paragraph shall be the exclusive means for a stockholder to make nominations or propose other business (other than matters properly brought under Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and included in the Corporation's notice of meeting) before a meeting of the stockholders. In addition, unless the board of directors has determined that directors will be elected at a special meeting of the stockholders, no stockholder may nominate directors for election at any special meeting of the stockholders.

In addition to any other applicable requirements, in order for any proposal or nomination to be properly brought before the meeting by a stockholder (other than a stockholder proposal included in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act) the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, (a) with respect to an annual meeting of the stockholders held pursuant to Section 2.1 of these by-laws, a stockholder's notice must be received at the principal executive offices of the corporation not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders ; provided, however, in the event that the annual meeting of stockholders is called for a date (including any change in a date designated by the board of directors pursuant to Section 2.1) more than 60 days prior to such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which public disclosure of the date of such meeting was made, and (b) with respect to a special meeting of the stockholders held pursuant to Section 2.2 of these by-laws, a stockholder's notice must be received at the principal executive offices of the corporation by the close of business on the 10th day following the day on which public disclosure of the date of such meeting was made. In no event shall any adjournment or postponement of an annual or special meeting of the stockholders or the announcement thereof commence a new time period for the delivery of such notice by a stockholder.

A stockholder's notice to the secretary shall set forth as to each proposal or nomination the stockholder proposes to bring before the meeting (a) the name and

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address of the stockholder making such proposal, (b) the class and number of shares of capital stock of the corporation directly or indirectly held of record, owned beneficially and represented by proxy by such stockholder as of the date of such notice by the stockholder, (c) any "derivative security" (as that term is defined in Rule 16a-1(c) under the Exchange Act) directly or indirectly owned beneficially by the stockholder and any other "pecuniary interest" or "indirect pecuniary interest" (as those terms are defined in Rule 16a-1(a)(2) under the Exchange Act) in the shares of capital stock of the corporation, and (d) all other information that would be required to be included in a proxy statement required to be filed with the Securities and Exchange Commission if, with respect to any such proposal or nomination, such stockholder were a participant in a solicitation subject to Regulation 14A under the Exchange Act (the "Proxy Rules").

In addition, if the notice involves a proposal for business, a stockholder's notice to the secretary shall set forth as to each proposal a brief description of the proposal desired to be brought before the meeting, the reasons for making such proposal at the meeting and any material interest that the stockholder has in the proposal. If the notice involves the nomination of a director, a stockholder's notice to the secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address or residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the corporation, if any, which are beneficially owned by the person, (iv) any other information relating to the nominee as would be required to be included in a proxy statement or other filings required to be filed pursuant to the Proxy Rules (including without limitation the written consent of the nominee to being named in the proxy statement as a nominee and to serve as a director if elected) and (v) a statement signed by the person confirming that, if elected, he or she will comply with the corporation's Global Ethics and Compliance Standards, Policy on Transactions in Securities, Corporate Governance Guidelines and any other applicable rule, regulation, policy or standard of conduct applicable to the directors; and (b) as to the stockholder giving the notice, (i) a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice and (ii) a description of all direct and indirect compensation and other material monetary arrangements, agreements or understandings during the past three years, and any other material relationship, if any, between or concerning the stockholder and its respective affiliates or associates, or others with whom they are acting in concert, on the one hand, and each person nominated by the stockholder, and his or her respective affiliates, associates and others with whom any of them are acting in concert on the other hand. In addition, any person nominated by the stockholder shall complete a questionnaire, in a form available from the corporation upon the request of the stockholder, and such completed questionnaire shall be submitted with the stockholder notice contemplated by this Section 2.12.

If the stockholder holds its shares by or through a nominee, the information required to be provided in a notice of the stockholder contemplated by this Section 2.12 shall be provided about the person who has the power to direct the voting and disposition of the shares of capital stock of the corporation and who has a pecuniary interest in such shares in lieu of the stockholder.

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Notwithstanding anything in the by-laws to the contrary, no business pertaining to this Section 2.12 shall be conducted at any meeting except in accordance with the procedures set forth in this Section 2.12. The officer presiding at the meeting shall, if the facts warrant, determine and declare to the meeting that any proposal or nomination, as the case may be, was not properly brought before the meeting in accordance with the provisions of this Section 2.12 and, if the presiding officer should so determine, any proposal not properly brought before the meeting shall not be discussed or voted on and any defective nomination shall be disregarded.

### **Section 3. BOARD OF DIRECTORS**

3.1 Number. The number of directors which shall constitute the whole board shall be not less than three nor more than 17 in number. Within the foregoing limits, the board of directors shall determine the number of directors, and the number of directors may be increased at any time or from time to time by the directors by vote of a majority of the directors then in office. The number of directors may be decreased to any number permitted by the foregoing at any time by the directors by vote of a majority of the directors then in office. The directors shall be classified, with respect to the time for which they severally hold office, into three classes as nearly equal in number as possible: one class whose term expires at the first annual meeting of stockholders after January 21, 1969 (the "Adoption Date"); one class whose term expires at the second annual meeting of stockholders after the Adoption Date; and another class whose term expires at the third annual meeting of stockholders after the Adoption Date, with each such class to hold office until its successors are elected and qualified. At each annual meeting of stockholders after the Adoption Date, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Directors need not be stockholders.

3.2 Tenure. Except as otherwise provided by law, by the certificate of incorporation or by these by-laws, each director shall hold office until a successor is elected and qualified, or until such director sooner dies, resigns, is removed or replaced.

3.3 Powers. The business and affairs of the corporation shall be managed by or under the direction of the board of directors who shall have and may exercise all the powers of the corporation and do all such lawful acts and things as are not by law, the certificate of incorporation or these by-laws directed or required to be exercised or done by the stockholders.

3.4 Vacancies of Directors. Vacancies and any newly created directorships resulting from any increase in the number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Any director or directors so chosen shall hold office until the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until their successors are duly elected and shall qualify, unless they sooner die, resign, or are removed or replaced. The directors shall have and may exercise all their powers notwithstanding the existence of one or more vacancies in their number,

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subject to any requirements of law or of the certificate of incorporation or of these by-laws as to the number of directors required for a quorum or for any vote or other actions.

3.5 Committees. Subject to Section 3.6 of these by-laws, the board of directors may, by vote of a majority of the whole board, (a) designate, change the membership of or terminate the existence of any committee or committees, each committee to consist of one or more of the directors; (b) designate one or more directors as alternate members of any such committee who may replace any absent or disqualified member at any meeting of the committee; and (c) determine the extent to which each such committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, including the power to authorize the seal of the corporation to be affixed to all papers which require it and the power and authority to declare dividends or to authorize the issuance of stock; excepting, however, such powers which by law, by the certificate of incorporation or by these by-laws they are prohibited from so delegating. In the absence or disqualification of any member of such committee and his or her alternate, if any, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Except as the board of directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the board or such rules, its business shall be conducted as nearly as may be in the same manner as is provided by these by-laws for the conduct of business by the board of directors. Each committee shall keep regular minutes of its meetings and report the same to the board of directors upon request.

3.6 Executive Committee. The board of directors shall, by vote of a majority of the whole board, elect from its own number an executive committee, to consist of not less than two members in addition to the chief executive officer, and may from time to time designate or alter, within the limits permitted by this Section 3.6, the duties and powers of such committee, or change its membership.

The executive committee shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation to the extent permitted by Section 141 of the Delaware General Corporation Law, and may authorize the seal of the corporation to be affixed to all papers which may require it, including the power and authority to declare a dividend, to authorize the issuance of stock and to adopt a certificate of ownership and merger; provided that the executive committee shall not have the power or authority in reference to amending the certificate of incorporation of this corporation (except that the executive committee may, to the extent authorized in the vote or votes providing for the issuance of shares of stock adopted by the board of directors, fix the designations and any of the preferences or rights of such shares or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, amending these by-laws, electing or appointing the chief executive officer, treasurer or secretary or

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filling vacancies in the board of directors or the executive committee. Each member of the executive committee shall hold office until the first meeting of the board of directors following the next annual meeting of the stockholders and until his or her successor is elected and qualified, or until he or she sooner dies, resigns, is removed, is replaced by change of membership, or becomes disqualified by ceasing to be a director. One-third of the members of the executive committee then in office, but in no case less than two members, shall constitute a quorum for the transaction of business, but any meeting may be adjourned from time to time by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.

3.7 Regular Meetings. Regular meetings of the board of directors may be held without call or notice at such places within or without the State of Delaware and at such times as the board may from time to time determine; notice of the first regular meeting following any such determination shall be given to absent directors. A regular meeting of the directors may be held without call or notice immediately after and at the same place as the annual meeting of stockholders.

3.8 Special Meetings. Special meetings of the board of directors may be held at any time and at any place within or without the State of Delaware designated in the notice of the meeting, when called by the chairman of the board, the vice chairman of the board, the president, or by two or more directors, reasonable notice thereof being given to each director by the secretary or an assistant secretary or by the chairman of the board, the vice chairman of the board, the president or by any one of the directors calling the meeting.

3.9 Notice. It shall be reasonable and sufficient notice to a director to send notice by mail at least 48 hours or by telegram or telecopy at least 24 hours before the meeting addressed to such director at his or her usual or last known business or residence address or to give notice to a director in person or by telephone at least 24 hours before the meeting. Notice of a meeting need not be given to any director if a written waiver of notice, executed by a director before or after the meeting, is filed with the records of the meeting, or to any director who attends the meeting without protesting prior thereto or at its commencement the lack of notice to such director. Neither notice of a meeting nor a waiver of a notice need specify the purposes of the meeting.

3.10 Quorum. Except as may be otherwise provided by law, by the certificate of incorporation or by these by-laws, at any meeting of the directors a majority of the directors then in office shall constitute a quorum, but in no case less than two directors. Any meeting may be adjourned from time to time by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.

3.11 Action by Vote. Except as may be otherwise provided by law, by the certificate of incorporation or by these by-laws, when a quorum is present at any meeting the vote of a majority of the directors present shall be the act of the board of directors.

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3.12 Action Without a Meeting. Any action required or permitted to be taken at any meeting of the board of directors or a committee thereof may be taken without a meeting if all the members of the board or of such committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the records of the meetings of the board or of such committee. Such consent shall be treated for all purposes as the act of the board or of such committee, as the case may be.

3.13 Participation in Meetings by Conference Telephone. Members of the board of directors, or any committee designated by such board, may participate in a meeting of such board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other or by any other means permitted by law. Such participation shall constitute presence in person at such meeting.

3.14 Compensation. In the discretion of the board of directors, the directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. Nothing contained in this section shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.15 Interested Directors and Officers.

(a) No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of the corporation's directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction, or solely because the vote or votes of such director or officer are counted for such purpose, if:

(1) The material facts as to the relationship or interest of such director or officer and as to the contract or transaction are disclosed or are known to the board of directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(2) The material facts as to the relationship or interest of such director or officer and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the board of directors, a committee thereof, or the stockholders.



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(b) Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

#### **Section 4. OFFICERS AND AGENTS**

4.1 Enumeration; Qualification. The officers of the corporation shall be a president, a treasurer, a secretary and such other officers, if any, as the board of directors from time to time may in its discretion elect or appoint including without limitation a chairman of the board, a vice chairman of the board, a chief financial officer, one or more other vice presidents, a general counsel and a controller. The corporation may also have such agents, if any, as the board of directors from time to time may in its discretion choose. Any two or more offices may be held by the same person. Officers may be required by the board of directors to secure the faithful performance of their duties to the corporation by giving bond in such amount and with sureties or otherwise as the board of directors may determine.

4.2 Powers. Subject to law, to the certificate of incorporation and to the other provisions of these by-laws, each officer shall have, in addition to the duties and powers herein set forth, such duties and powers as are commonly incident to his or her office and such additional duties and powers as the board of directors may from time to time designate.

4.3 Election. The officers may be elected by the board of directors at their first meeting following the annual meeting of the stockholders or at any other time. At any time or from time to time the directors may delegate to any officer their power to elect or appoint any other officer or any agents.

4.4 Tenure. Officers shall hold office until the first meeting of the board of directors following the next annual meeting of the stockholders and until their respective successors are chosen and qualified unless a shorter period shall have been specified by the terms of their election or appointment, or in each case until they sooner die, resign, are removed or become disqualified. Agents shall retain their authority at the pleasure of the directors, or the officer by whom they were appointed or by the officer who then holds agent appointive power.

4.5 Chairman of the Board of Directors, Vice Chairman of the Board of Directors, President and Vice President. Unless the board of directors otherwise specifies, the chairman of the board, or if there is none or in the absence or disability of the chairman of the board, the vice chairman of the board, or if there is none or in the absence or disability of the vice chairman of the board, the president shall preside, or designate the person who shall preside, at all meetings of the stockholders, of the board of directors and of the executive committee.

If there is a chairman of the board, unless the board of directors otherwise specifies, the chairman of the board shall be the chief executive officer of the corporation and as such shall have direct charge of all business operations of the corporation and,

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subject to the control of the directors, shall have general charge and supervision of the business of the corporation.

If there is a vice chairman of the board, the vice chairman of the board shall have such duties and powers as shall be designated from time to time by the board of directors or by the chief executive officer.

The president shall have such duties and powers as shall be designated from time to time by the board of directors or by the chief executive officer.

Any vice presidents shall have such duties and powers as shall be set forth in these by-laws or as shall be designated from time to time by the board of directors or by the chief executive officer, except that no vice president who is not a citizen of the United States shall be authorized to act as the chairman of the board, president or other chief executive officer of the corporation in the absence or disability of the person designated chairman of the board, president or other chief executive officer of the corporation in accordance with this Section 4.5 for so long as the corporation is required by the U.S. maritime laws to be a U.S. citizen by reason of its interest, direct or indirect, in any vessel documented under the laws of the United States of America.

**4.6 Chief Financial Officer.** The chief financial officer of the corporation shall be responsible for developing, recommending and implementing financial policies of the corporation and have general responsibility for protecting its financial position. The chief financial officer shall represent the corporation with banks and other financial institutions.

**4.7 General Counsel and Assistant General Counsels.** The general counsel shall be the chief counseling officer of the corporation in all legal matters and, subject to the control by the board of directors, the general counsel shall have charge of all matters of legal import to the corporation. The general counsel's relationship to the corporation shall in all respects be that of an attorney to a client. The general counsel shall have charge of all litigation of the corporation and keep advised of the progress of all legal proceedings and claims by and against the corporation, or in which it is interested by reason of its ownership and control of other corporations. The general counsel shall maintain records of all suits and actions of every nature in which the corporation may be a party, or in which it is interested, with sufficient data to show the nature of the case and the proceedings therein, and such records and the papers relating thereto shall be open at all times to the inspection of the directors and the executive officers of the corporation.

The general counsel shall give to the board of directors and to any officer of the corporation, whenever requested to do so, an opinion upon any question affecting the interests of the corporation and when requested by the chairman of the board, the vice chairman of the board, the president, a vice president, or by the board of directors or the executive committee, shall give an opinion upon any subject that may be referred to the general counsel.

The general counsel may, in his or her discretion, retain such independent attorneys, or law firms, in any and all parts of the world, as the general counsel may deem

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necessary to assist him or her in the performance of his or her duties and to protect and further the interests of the corporation.

The general counsel shall have power and authority to execute in the name of the corporation any and all bonds or stipulations for costs or other purposes connected with legal proceedings in any of the courts of justice, for the protection or enforcement of the rights and interest of this corporation; and, by instrument in writing, the general counsel may delegate to any such authority like power and authority to execute such bonds or stipulations.

The assistant general counsel, or, if there are more than one, the assistant general counsels, shall, in the order determined by the general counsel, in the absence or disability of the general counsel perform the duties and exercise the powers of the general counsel and shall perform such other duties and have such other powers as the board of directors and the general counsel may from time to time prescribe.

**4.8 Treasurer and Assistant Treasurers.** The treasurer shall be in charge of the corporate funds and securities and shall keep, or cause to be kept, full and accurate account of receipts and disbursements in books belonging to the corporation and shall deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors. The treasurer shall invest surplus funds in such investments as the treasurer shall deem appropriate and pursuant to this authority may buy and sell securities on behalf of the corporation from time to time. The treasurer shall disburse or cause to be disbursed the funds of the corporation as may be ordered by the board of directors, the chief executive officer, the chief financial officer or such other officer as the chief financial officer may from time to time designate, taking proper vouchers for such disbursements. The treasurer shall be subject to the direction of the chief financial officer.

The assistant treasurer, if any, shall in the absence or disability of the treasurer perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors and the treasurer may from time to time prescribe and shall be subject to the direction of the treasurer.

**4.9 Controller and Assistant Controllers.** The controller shall be the chief accounting officer of the corporation, shall be in charge of its books of account and accounting records, and shall be in charge of the corporation's accounting policies and procedures. The controller shall be subject to the direction of the chief financial officer. The controller shall, with the approval of the board of directors, arrange for annual audits by independent public accounts.

The assistant controller, if any, shall in the absence or disability of the controller perform the duties and exercise the powers of the controller and shall perform such other duties and have such other powers as the board of directors and the controller may from time to time prescribe and shall be subject to the direction of the controller.

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4.10 Secretary and Assistant Secretaries. The secretary shall record all proceedings of the meetings of the stockholders and of the board of directors and its committees in a book or books to be kept for that purpose and shall file therein all actions by written consent of directors. The secretary shall give or cause to be given notice of all meetings of the stockholders and meetings of the board of directors and shall perform such other duties as may be prescribed by the board of directors or by the chief executive officer. The secretary shall keep in safe custody the seal of the corporation and, when authorized by the board of directors, the chief executive officer, or these by-laws, affix the same to any instrument requiring it and, when so affixed, it shall be attested by the secretary's signature or by the signature of an assistant secretary.

The secretary shall have charge of the stock ledger (which may, however, be kept by any transfer agent or agents of the corporation under the direction of the secretary).

The assistant secretary, or if there are more than one, the assistant secretaries, in the order determined by the secretary, shall in the absence or disability of the secretary perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors and the secretary may from time to time prescribe.

## **Section 5. RESIGNATIONS AND REMOVALS**

5.1 Any director or officer may resign at any time by delivering his or her resignation in writing to the chairman of the board, any vice chairman of the board, the president, or the secretary or to a meeting of the board of directors. Such resignation shall be effective upon receipt unless specified to be effective at some other time, and without in either case the necessity of its being accepted unless the resignation shall so state. A director (including persons elected by directors to fill vacancies in the board) may be removed from office with cause by the vote of the holders of a majority of the shares issued and outstanding and entitled to vote in the election of directors. The board of directors may at any time remove any officer either with or without cause. The board of directors may at any time terminate or modify the authority of any agent. Except where a right to receive compensation shall be expressly provided in a duly authorized written agreement with the corporation or severance or other benefit plan or arrangement approved by the board of directors, no director or officer resigning and no director or officer removed shall have any right to any compensation as such director or officer for any period following such director's or officer's resignation or removal, or any right to damages on account of such removal, whether such compensation be by the month or by the year or otherwise; unless, in the case of a resignation, the directors, or, in the case of removal, the body acting on the removal, shall in their or its discretion provide for compensation.

## **Section 6. VACANCIES OF OFFICERS**

6.1 If the office of any officer becomes vacant, the directors may elect a successor by vote of a majority of the directors present and voting at a meeting. Such successors shall hold office for the unexpired term, and until their respective successors are chosen and qualified or in each case until they sooner die, resign, are removed or

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become disqualified. Any vacancy of a directorship shall be filled as specified in Section 3.4 of these by-laws.

## **Section 7. CAPITAL STOCK**

7.1 Stock Certificates. The shares of capital stock of the corporation shall be represented by certificates, provided that the board of directors may provide by resolution or resolutions that some or all of any or all classes or series of stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Every holder of stock represented by certificates shall be entitled to a certificate stating the number and the class and the designation of the series, if any, of the shares held by him or her, in such form as shall, in conformity to law, the certificate of incorporation and the by-laws, be prescribed from time to time by the board of directors. Such certificate shall be signed by the chairman or vice chairman of the board, if any, or the president or a vice president and by the treasurer or an assistant treasurer or by the secretary or an assistant secretary. Any of or all the signatures on the certificate may be a facsimile. In case an officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent, or registrar at the time of its issue.

7.2 Loss of Certificates. In the case of the alleged theft, loss, destruction or mutilation of a certificate of stock, a duplicate certificate may be issued in place thereof, upon such terms, including receipt of a bond sufficient to indemnify the corporation against any claim on account thereof, as the board of directors may prescribe.

## **Section 8. TRANSFER OF SHARES OF STOCK**

8.1 Transfer on Books. Subject to the restrictions, if any, stated or noted on the stock certificate, or otherwise in force, shares of stock may be transferred on the books of the corporation by the surrender to the corporation or its transfer agent of the certificate therefor properly endorsed or accompanied by a written assignment and power of attorney properly executed, with necessary transfer stamps affixed, and with such proof of the authenticity of signature as the board of directors or the transfer agent of the corporation may reasonably require. Uncertificated shares of stock may be transferred on the books of the corporation upon receipt of proper transfer instructions from the registered owner of the uncertificated shares, an instruction from an approved source duly authorized by such owner or from an attorney lawfully constituted. Except as may be otherwise required by law, by the certificate of incorporation or by these by-laws, the corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to receive notice and to vote or to give any consent with respect thereto and to be held liable for such calls and assessments, if any, as may lawfully be made thereon, regardless of any transfer, pledge or other disposition of such stock until the shares have been properly transferred on the books of the corporation.

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8.2 Record Date and Closing Transfer Books. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the vote fixing the record date is adopted by the board of directors, and which record date shall not be more than 60 days nor less than ten days before the date of such meeting. If no such record date is fixed by the board of directors, the record date for determining the stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

In order that the corporation may determine the stockholders entitled to receive payment of any dividend declared pursuant to Section 9 of these by-laws or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the vote fixing the record date is adopted, and which record date shall be not more than 60 days prior to such payment, exercise or other action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the vote relating thereto.

#### **Section 9. DIVIDENDS**

9.1 Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

#### **Section 10. CONTRIBUTIONS**

10.1 The directors of this corporation are authorized to make charitable contributions as defined in the United States Internal Revenue Code, as from time to time amended, in such amounts as the directors may determine to be reasonable.

#### **Section 11. CORPORATE SEAL**

11.1 Subject to alteration by the directors, the seal of the corporation shall consist of a flat-faced circular die with the word "Delaware" and the name of the corporation cut or engraved thereon, together with such other words, dates or images as may be approved from time to time by the directors. The corporate seal of the corporation may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

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## **Section 12. EXECUTION OF PAPERS**

12.1 Except as the board of directors may generally or in particular cases authorize the execution thereof in some other manner, all deeds, leases, transfers, sales of securities, contracts, proxies, bonds, notes, checks, drafts and other obligations, agreements and undertakings made, accepted or endorsed by the corporation shall be signed by the chairman of the board, the vice chairman of the board, the president, any vice president or the treasurer, and, if such papers require a seal, the seal of the corporation shall be affixed thereto and attested by the secretary or an assistant secretary.

## **Section 13. FISCAL YEAR**

13.1 Except as from time to time otherwise provided by the board of directors, the fiscal year of the corporation shall commence on the first day of October of each year.

## **Section 14. INDEMNIFICATION**

14.1 The corporation shall, to the maximum extent permitted from time to time under the law of the State of Delaware, indemnify and upon request shall advance expenses to any person who is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit, proceeding, claim or counterclaim, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was or has agreed to be a director, officer, employee or agent of this corporation or while a director, officer, employee or agent is or was serving at the request of this corporation as a director, officer, partner, trustee, fiduciary, employee or agent of any corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorney's fees and expenses), judgments, fines, penalties and amounts paid in settlement or incurred in connection with the investigation, preparation to defend or defense of such action, suit, proceeding, claim or counterclaim; provided, however, that the foregoing shall not require this corporation to indemnify or advance expenses to any person in connection with any action, suit, proceeding, claim or counterclaim initiated by or on behalf of such person, other than an action to enforce indemnification rights. Such indemnification shall not be exclusive of other indemnification rights arising under any agreement, vote of directors or stockholders or otherwise and shall inure to the benefit of the heirs and legal representatives of such person. Any such person seeking indemnification under this Section 14.1 shall be deemed to have met the standard of conduct required for such indemnification unless the contrary shall be established. The corporation shall have the power to provide indemnification and advance expenses to any other person, including stockholders purporting to act on behalf of the corporation, to the extent permitted by the law of the State of Delaware.

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## **Section 15. AMENDMENTS**

15.1 These by-laws may be altered, amended or repealed by (i) the affirmative vote of the holders of at least 75 percent of the voting power of the then outstanding shares of stock of all classes and series of this corporation entitled to vote generally in the election of directors, voting together as a single class or (ii) a vote of the majority of the directors then in office at any annual, regular or special stockholders or directors meeting, called for that purpose, the notice of which shall specify the subject matter of the proposed new by-law or the alteration, amendment or repeal of an existing by-law or the articles to be affected thereby. Any by-law, whether made, altered, amended or repealed by the stockholders or directors, may be repealed, amended, further amended or reinstated, as the case may be, by either the stockholders or the directors as aforesaid.



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# J.P.Morgan

## CREDIT AGREEMENT

dated as of

August 26, 2011,

among

CABOT CORPORATION,

and

Certain of its Subsidiaries,  
as Borrowers,

The Lenders Party Hereto

and

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent

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J.P. MORGAN SECURITIES LLC, and  
CITIGROUP GLOBAL MARKETS INC.,  
as Joint Lead Arrangers and Joint Bookrunners,

CITIBANK, N.A.,  
as Syndication Agent

and

BANK OF AMERICA, N.A., and  
MIZUHO CORPORATE BANK, LTD.,  
as Co-Documentation Agents

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CREDIT AGREEMENT (this "**Agreement**") dated as of August 26, 2011, among CABOT CORPORATION, a Delaware corporation (the "**Company**"), certain Subsidiaries of the Company from time to time party hereto pursuant to Section 2.23 (each, a "**Designated Borrower**" and, together with the Company, the "**Borrowers**" and each, a "**Borrower**"), the LENDERS from time to time party hereto, and JPMORGAN CHASE BANK, N.A., as Administrative Agent.

The parties hereto agree as follows:

## ARTICLE I

### Definitions

SECTION 1.01 Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"**ABR**", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"**Acquisition**", by any Person, means the acquisition by such Person (other than a transaction that would be classified as a capital expenditure in accordance with GAAP), in a single transaction or in a series of related transactions, of all or any substantial portion (constituting a separate business unit) of the assets of another Person or at least a majority of the Equity Interests with ordinary voting power of another Person, in each case whether or not involving a merger or consolidation with such other Person and whether for cash, property, services, assumption of Indebtedness, securities or otherwise.

"**Act**" has the meaning assigned to such term in Section 10.14.

"**Adjusted LIBO Rate**" means, with respect to any Eurocurrency Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the sum of (a) (i) the LIBO Rate for such Interest Period multiplied by (ii) the Statutory Reserve Rate, plus, without duplication (b) in the case of Revolving Loans made by a Lender from its office or branch in the United Kingdom, the Mandatory Cost.

"**Administrative Agent**" means JPMorgan Chase Bank, N.A. (including its subsidiaries and Affiliates), in its capacity as administrative agent for the Lenders hereunder.

"**Administrative Questionnaire**" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"**Affiliate**" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"**Agreed Currencies**" means (a) U.S. Dollars, (b) Euro, (c) Pounds Sterling, (d) Swiss Francs, (e) Australian Dollars, (f) Japanese Yen, (g) Canadian Dollars, (h) Singapore Dollars and (i) any other Foreign Currency acceptable to all of the Lenders.

"**Agreement**" has the meaning assigned to such term in the preamble.

"**Alternate Base Rate**" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus  $\frac{1}{2}$  of 1%, and (c) the Adjusted LIBO Rate for a one (1) month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%; provided that, for purposes of this definition, the Adjusted LIBO Rate for any Business Day shall be based on the rate appearing on the Reuters Screen LIBOR01 (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in U.S. Dollars in the London interbank market) at approximately 11:00 a.m. London time on such Business Day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

"**Applicable Foreign Obligor Documents**" has the meaning assigned to such term in [Section 3.12\(a\)](#).

"**Applicable Percentage**" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment; provided that in the case of [Section 2.20](#) when a Defaulting Lender shall exist, "Applicable Percentage" shall mean the percentage of the total Commitments (disregarding any Defaulting Lender's Commitment) represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Revolving Credit Exposure then in effect, giving effect to any assignments and to any Lender's status as a Defaulting Lender at the time of determination.

"**Applicable Rate**" means, for any day, with respect to any ABR Loan or Eurocurrency Revolving Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "ABR Spread", "Eurocurrency Spread" or "Facility Fee Rate", as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

Tier	Rating	Eurocurrency Spread	ABR Spread	Facility Fee Rate
<u>I</u>	<sup>3</sup> A2 / A	0.650%	0%	0.100%
<u>II</u>	< A2 / A and <sup>3</sup> A3 / A-	0.875%	0%	0.125%

<u>III</u>	< A3 / A- and <sup>3</sup> Baa1 / BBB+	0.975%	0%	0.150%
<u>IV</u>	< Baa1 / BBB+ and <sup>3</sup> Baa2 / BBB	1.050%	0.050%	0.200%
<u>V</u>	£ Baa3 / BBB-	1.125%	0.125%	0.250%

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a rating in Tier V; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Tiers, the Applicable Rate shall be based on the higher of the two ratings unless one of the two ratings is two or more Tiers lower than the other, in which case the Applicable Rate shall be determined by reference to the Tier next above that of the lower of the two ratings; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency, irrespective of when notice of such change shall have been furnished by the Company to the Agent and the Lenders pursuant to Section 5.01 or otherwise. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"**Applicant Borrower**" has the meaning assigned to such term in Section 2.23(b).

"**Approved Fund**" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"**Arrangers**" means, collectively, J.P. Morgan Securities LLC and Citigroup Global Markets Inc., in their capacity as Joint Lead Arrangers and Joint Bookrunners.

"**Assignment and Assumption**" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"**Augmenting Lender**" has the meaning assigned to such term in Section 2.21(a).

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**"Australian Dollars"** means the lawful currency of Australia.

**"Availability Period"** means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

**"Bankruptcy Event"** means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

**"Board"** means the Board of Governors of the Federal Reserve System of the United States of America.

**"Borrower"** and **"Borrowers"** each has the meaning assigned to such term in the preamble.

**"Borrowing"** means (a) Revolving Loans of the same Type and currency, made, converted or continued on the same date and, in the case of Eurocurrency Loans, as to which a single Interest Period is in effect, or (b) a Swingline Loan.

**"Borrowing Request"** means a request by the Company, for itself or on behalf of a Designated Borrower, for a Revolving Borrowing in accordance with Section 2.03.

**"Business Day"** means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that (a) when used in connection with a Eurocurrency Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in the applicable Agreed Currency in the London interbank market or (other than in respect of Borrowings denominated in U.S. Dollars or Euro) the principal financial center of such Agreed Currency, and (b) when used in connection with a Eurocurrency Loan denominated in Euro, the term "Business Day" shall also exclude any day on which the TARGET payment system is not open for the settlement of payments in Euro.

**"Canadian Dollars"** means the lawful currency of Canada.

**"Capital Lease Obligations"** of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount



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of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

**"Change in Control"** means an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding members of the Cabot family, any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire (such right, an **"option right"**), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of twenty-five percent (25%) or more of the equity securities of the Company entitled to vote for members of the board of directors or equivalent governing body of the Company on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or

(b) during any period of twenty-four (24) consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Company cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors).

**"Change in Law"** means (a) the adoption of any law, rule, regulation, or treaty (including any rules or regulations issued under or implementing any existing law) after the date of this Agreement, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or by any applicable lending office of such Lender or the Issuing Bank) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith or in implementation thereof, and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States of America or foreign regulatory authorities, in each case under Basel III, shall in each case be deemed to be a "Change in Law" regardless of the date enacted, adopted, issued or implemented.

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**"Charges"** has the meaning assigned to such term in Section 10.13.

**"Class"**, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Swingline Loans.

**"Code"** means the Internal Revenue Code of 1986, as amended.

**"Commitment"** means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09, (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04, and (c) increased from time to time pursuant to Section 2.21. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is \$550,000,000.

**"Company"** has the meaning assigned to such term in the preamble.

**"Compliance Certificate"** means a certificate substantially in the form of Exhibit F.

**"Computation Date"** has the meaning assigned to such term in Section 2.04.

**"Consolidated"** or **"consolidated"** means, with reference to any term defined herein, that term as applied to the accounts of the Company and its Subsidiaries, consolidated in accordance with GAAP.

**"Consolidated EBITDA"** means, with reference to any period, Consolidated Net Income for such period plus (a) without duplication, to the extent deducted from revenues in determining such Consolidated Net Income, (i) Consolidated Interest Charges, (ii) the provision for federal, state, local and foreign income taxes payable, (iii) depreciation expense, (iv) amortization expense, and (v) other non-cash charges, minus (b) to the extent included in such Consolidated Net Income, all non-cash income or gains (including income tax benefits), all calculated for the Company and its Subsidiaries in accordance with GAAP on a consolidated basis.

**"Consolidated Interest Charges"** means, with reference to any period, for the Company and its Subsidiaries calculated in accordance with GAAP on a consolidated basis (without duplication) for such period, the sum of all interest, premium payments, debt discount, fees, charges and related expenses of the Company and its Subsidiaries in connection with borrowed money (including capitalized interest and other fees and charges incurred under any Securitization Transactions) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP.

**"Consolidated Interest Coverage Ratio"** means, as of the last day of any fiscal quarter, the ratio of (a) Consolidated EBITDA for the Reference Period ended on such date to (b) the cash portion of Consolidated Interest Charges for the Reference Period ended on such date.

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**"Consolidated Leverage Ratio"** means, as of the last day of any fiscal quarter, the ratio of (a) Consolidated Total Debt as of such date to (b) Consolidated EBITDA for the Reference Period ended on such date.

**"Consolidated Net Income"** means, with reference to any period, the net income (or loss) of the Company and its Subsidiaries calculated in accordance with GAAP on a consolidated basis (without duplication) for such period.

**"Consolidated Tangible Net Worth"** means, as of any date, (i) the consolidated stockholders' equity of the Company as of such date (calculated excluding adjustments to translate foreign assets and liabilities for changes in foreign exchange rates made in accordance with Financial Accounting Standards Board Statement Nos. 52 and 133), minus (ii) to the extent reflected in determining such consolidated stockholders' equity as of such date, the amount of Intangible Assets of the Company and its Subsidiaries on a consolidated basis.

**"Consolidated Total Debt"** means, as of any date of determination, the outstanding principal amount as of such date of all Indebtedness of the Company and its Subsidiaries on a consolidated basis.

**"Consolidated Total Tangible Assets"** means the aggregate amount of all assets of the Company and its Subsidiaries on a consolidated basis other than Intangible Assets.

**"Contractual Obligation"** means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

**"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. **"Controlling"** and **"Controlled"** have meanings correlative thereto.

**"Credit Party"** means the Administrative Agent, the Issuing Bank, the Swingline Lender or any other Lender.

**"Default"** means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

**"Defaulting Lender"** means any Lender that (a) has failed, within two (2) Business Days after the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified any Borrower or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular

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default, if any) to funding cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three (3) Business Days after request by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has, or has a Lender Parent that has, become the subject of a Bankruptcy Event.

**"Designated Borrower"** has the meaning assigned to such term in the preamble.

**"Designated Borrower Notice"** has the meaning assigned to such term in Section 2.23(b).

**"Designated Borrower Request and Assumption Agreement"** has the meaning assigned to such term in Section 2.23(b).

**"Designated Jurisdiction"** means any of Burma/Myanmar, Cuba, Iran, Libya, North Korea, Sudan or any other country or territory to the extent that such country or territory itself is the subject of any Sanction.

**"Disclosed Litigation"** has the meaning assigned to such term in Section 3.05(a).

**"Dollar Amount"** of any currency at any date means (a) if such currency is U.S. Dollars, the amount of such currency, or (b) if such currency is a Foreign Currency, the equivalent in such currency of U.S. Dollars, calculated on the basis of the Exchange Rate for such currency on or as of the most recent Computation Date provided for in Section 2.04.

**"Domestic Subsidiary"** means any Subsidiary that is organized under the laws of any political subdivision of the United States of America.

**"Effective Date"** means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 10.02).

**"Environmental Laws"** means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating to pollution and the protection of the environment, or the release of any Hazardous Material.

**"Environmental Liability"** means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

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**"Equity Interests"** means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

**"Equivalent Amount"** of any currency with respect to any amount of U.S. Dollars at any date means the equivalent in such currency of such amount of U.S. Dollars, calculated on the basis of the Exchange Rate for such other currency at 11:00 a.m. London time on the date on or as of which such amount is to be determined.

**"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended from time to time.

**"ERISA Affiliate"** means any trade or business (whether or not incorporated) that, together with any Borrower, is treated as a single employer under subsections (b) and (c) of Section 414 of the Code (and, solely for the purposes of Section 412 of the Code, including subsections (m) and (o) of Section 414 of the Code).

**"ERISA Event"** means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Multiemployer Plan of an "accumulated funding deficiency" (as defined in Sections 412 and 431 of the Code or Sections 302 and 304 of ERISA), whether or not waived, or the determination that any Multiemployer Plan is in either "endangered status" or "critical status" (as defined in Section 432 of the Code or Section 305 of ERISA), or the failure of any Plan that is not a Multiemployer Plan to satisfy the minimum funding standards of Sections 412 and 430 of the Code or Sections 302 and 303 of ERISA, or the determination that any Plan that is not a Multiemployer Plan is in "at-risk" status (as defined in Section 430(i) of the Code or Section 303(i) of ERISA) or the imposition of any lien on any Borrower or any of its ERISA Affiliates pursuant to Section 430(k) of the Code or Section 303(k) of ERISA; (c) the filing pursuant to Section 412(c) of the Code or Section 303(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by any Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by any Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Multiemployer Plan; (g) the receipt by any Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (h) the withdrawal by any Borrower or any ERISA Affiliate from a Plan subject to Section 4063 of ERISA during a plan year in which it was a "substantial employer" (as defined in Section 4001(a)(2) of ERISA); (i) the engagement by any Borrower or any ERISA Affiliate in a transaction that could reasonably be expected to be subject to Section 4069 or Section 4212(c) of ERISA; (j) the engagement by any Borrower in a non-exempt "prohibited transaction" (as defined under Section 406 of ERISA or Section 4975 of the Code) or a breach of a fiduciary duty under ERISA that could reasonably be expected to result in

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liability to the Company or any Subsidiary; (k) notification by the IRS of the failure of any Plan (and any related trust) that is intended to be qualified under Sections 401 and 501 of the Code to be so qualified; (l) the commencement, existence or threatening of a claim, action, suit or audit or other regulatory examination with respect to any Plan, other than a routine claim for benefits; or (m) the occurrence of an event with respect to any employee benefit plan described in Section 3(2) of ERISA that results in the imposition of an excise tax or any other liability on any Borrower or of the imposition of a Lien on the assets of any Borrower.

**"Euro"** or "€" means the single currency of the participating member states of the European Union.

**"Eurocurrency"**, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

**"Eurocurrency Payment Office"** of the Administrative Agent shall mean, for each Foreign Currency, the office, branch, affiliate or correspondent bank of the Administrative Agent for such currency as specified from time to time by the Administrative Agent to each Borrower and each Lender.

**"Exchange Rate"** means, on any day, with respect to any Foreign Currency, the rate at which such Foreign Currency may be exchanged into U.S. Dollars, as set forth at approximately 11:00 a.m., Local Time, on such date on the Reuters World Currency Page for such Foreign Currency. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate with respect to such Foreign Currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be reasonably selected by the Administrative Agent or, in the event no such service is selected, such Exchange Rate shall instead be calculated on the basis of the arithmetical average of the spot rates of exchange of the Administrative Agent for such Foreign Currency on the London market at 11:00 a.m., Local Time, on such date for the purchase of U.S. Dollars with such Foreign Currency, for delivery two (2) Business Days later; provided, that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

**"Existing Credit Agreement"** means that certain Credit Agreement dated as of June 2, 2010, by and among the Company, the other borrowers party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent.

**"Existing Letters of Credit"** means, collectively, the Letters of Credit listed on Schedule 1.01A.

**"Event of Default"** has the meaning assigned to such term in Article VII.

**"Excluded Taxes"** means, with respect to any Borrower under any Loan Document, any of the following Taxes imposed on or with respect to a Recipient: (a) income or franchise Taxes imposed on (or measured by) its overall net income (however denominated) by the United States of America, or by the jurisdiction (or any political subdivision thereof) under the laws of which

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such Recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits Taxes imposed by the United States of America or any similar Taxes imposed by any other jurisdiction in which any Borrower is located, (c) in the case of a Lender (other than an assignee pursuant to a request by any Borrower under Section 2.19(b)), any withholding Taxes resulting from any law in effect (including FATCA) on such date such Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Lender's failure to comply with Section 2.17(f), except solely to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from any Borrower with respect to such withholding Taxes pursuant to Section 2.17(a) and (d) any penalties and interest on the foregoing.

**"FATCA"** means Sections 1471 through 1474 of the Code, as of the date of this Agreement and any regulations or official interpretations thereof.

**"Federal Funds Effective Rate"** means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three (3) Federal funds brokers of recognized standing selected by it.

**"Financial Officer"** means, with respect to any Borrower, the chief financial officer, principal accounting officer, treasurer or controller of such Borrower.

**"Foreign Currencies"** means Agreed Currencies other than U.S. Dollars.

**"Foreign Currency Letter of Credit"** means a Letter of Credit denominated in a Foreign Currency.

**"Foreign Obligor"** means a Designated Borrower that is a Foreign Subsidiary.

**"Foreign Subsidiary"** means any Subsidiary that is not a Domestic Subsidiary.

**"GAAP"** means generally accepted accounting principles in the United States of America set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States of America, that are applicable to the circumstances as of the date of determination, consistently applied, or if the Company adopts the International Financial Reporting Standards ("**IFRS**"), IFRS, consistently applied.

**"Governmental Authority"** means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising

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executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Guarantee"** of or by any Person (the **"guarantor"**) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person (the **"primary obligor"**) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the holder of such Indebtedness of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith.

**"Hazardous Materials"** means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

**"Increasing Lender"** has the meaning assigned to such term in Section 2.21(a).

**"Incremental Term Loan"** has the meaning assigned to such term in Section 2.21(a).

**"Incremental Term Loan Amendment"** has the meaning assigned to such term in Section 2.21(e).

**"Indebtedness"** of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding trade accounts payable in the ordinary course of business and payable in accordance with customary practices), (f) all Indebtedness (excluding prepaid interest thereon) of another Person secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed or is limited in recourse, (g) all Guarantees by such Person of Indebtedness of another Person, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (j) all obligations, contingent or otherwise, of such Person in



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respect of bankers' acceptances, and (k) the outstanding principal amount of any Securitization Transaction of such Person, after taking into account reserve accounts. The Indebtedness of any Person shall include the Indebtedness of any other Person (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

**"Indemnified Taxes"** means (a) Taxes other than Excluded Taxes and (b) Other Taxes.

**"Index Debt"** means senior, unsecured, long-term indebtedness for borrowed money of the Company that is not guaranteed by any other Person (other than a Subsidiary that is a Designated Borrower or guarantor of the Obligations) or subject to any other credit enhancement.

**"Ineligible Assignee"** means a (a) natural person or (b) company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person or a relative thereof; provided that such company, investment vehicle or trust shall not constitute an Ineligible Assignee if it (x) has not been established for the primary purpose of acquiring any Loans or Commitments, (y) is managed by a professional advisor, who is not such natural person or a relative thereof, having significant experience in the business of making or purchasing commercial loans, and (z) has assets greater than \$25,000,000 and a significant part of its activities consist of making or purchasing commercial loans and similar extensions of credit in the ordinary course of its business.

**"Intangible Assets"** means the amount of all unamortized debt discount and expense, goodwill, patents, trademarks, service marks, trade names, anticipated future benefit of tax loss carry-forwards, copyrights, organization or developmental expenses and other assets treated as intangible assets under GAAP (but not in any event including deferred taxes).

**"Interest Election Request"** means a request by the Company to convert or continue a Revolving Borrowing in accordance with Section 2.08.

**"Interest Payment Date"** means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three (3) months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three (3) months' duration after the first day of such Interest Period, and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

**"Interest Period"** means, with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one (1), two (2), three (3) or six (6) months thereafter, as the Company may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurocurrency Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day

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and (ii) any Interest Period pertaining to a Eurocurrency Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

**"Investment"** means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or guaranty of any obligation or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Guarantees Indebtedness of such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

**"IRS"** means the United States Internal Revenue Service.

**"Issuing Bank"** means, as the case may be, (a) Bank of America, N.A., in its capacity as the issuer of, and with respect to, the Existing Letters of Credit, or (b) JPMorgan Chase Bank, N.A., in its capacity as the issuer of, and with respect to, all other Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.06(i). JPMorgan Chase Bank, N.A., as Issuing Bank, may, in its discretion, arrange for one or more Letters of Credit to be issued by its Affiliates, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

**"Japanese Yen"** or "¥" means the lawful currency of Japan.

**"LC Disbursement"** means a payment made by the Issuing Bank pursuant to a Letter of Credit.

**"LC Exposure"** means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrowers at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

**"Lender Parent"** means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

**"Lenders"** means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to Section 2.21 or pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an

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Assignment and Assumption. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

**"Letter of Credit"** means any letter of credit issued pursuant to this Agreement, and shall include Existing Letters of Credit.

**"LIBO Rate"** means, with respect to any Eurocurrency Borrowing for any Interest Period, the rate appearing on, in the case of U.S. Dollars, Reuters Screen LIBOR01 Page and, in the case of any Foreign Currency, the appropriate page of such service which displays British Bankers Association Interest Settlement Rates for deposits in such Foreign Currency (or, in each case, on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in the applicable Agreed Currency in the London interbank market) at approximately 11:00 a.m., London time, two (2) Business Days prior to (or, in the case of Loans denominated in Pounds Sterling, on the day of) the commencement of such Interest Period, as the rate for deposits in the applicable Agreed Currency with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason (including, for the avoidance of doubt, in the event of a Eurocurrency Borrowing denominated in Singapore Dollars or any other Agreed Currency for which no screen quote based on British Bankers Association Interest Settlement Rates is available from Reuters or such successor or substitute service), then the **"LIBO Rate"** with respect to such Eurocurrency Borrowing for such Interest Period shall be the rate at which deposits in the applicable Agreed Currency in an Equivalent Amount of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent (or, if applicable, such other Eurocurrency Payment Office for such Foreign Currency) in immediately available funds in the London interbank market (or, if applicable, such other offshore interbank market for such Foreign Currency) at approximately 11:00 a.m., London time (or, if applicable, such other Local Time for such Foreign Currency), two (2) Business Days prior to (or, in the case of Loans denominated in Pounds Sterling, on the day of) the commencement of such Interest Period.

**"Lien"** means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

**"Loan Documents"** means, collectively, this Agreement, each promissory note delivered pursuant to this Agreement, any Letter of Credit applications, and any other agreements, instruments, documents and certificates executed by or on behalf of any Borrower and delivered to or in favor of the Credit Parties concurrently herewith or hereafter in connection with the Transactions hereunder.

**"Loans"** means the loans made by the Lenders to the Borrowers pursuant to this Agreement.

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**"Local Time"** means (a) in the case of a Loan, Borrowing or LC Disbursement denominated in U.S. Dollars, New York City time, and (b) in the case of a Loan, Borrowing or LC Disbursement denominated in a Foreign Currency, local time (it being understood that such local time shall mean London, England time unless otherwise notified by the Administrative Agent).

**"Mandatory Cost"** has the meaning assigned to such term on Exhibit E.

**"Material Adverse Effect"** means a material adverse effect on (a) the business, assets, property or financial condition of the Company and its Subsidiaries taken as a whole, or (b) the validity or enforceability of any material provision of any Loan Document or the rights or remedies of the Credit Parties thereunder.

**"Maturity Date"** means August 25, 2016.

**"Maximum Rate"** has the meaning assigned to such term in Section 10.13.

**"Moody's"** means Moody's Investors Service, Inc.

**"Multiemployer Plan"** means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

**"Non-U.S. Lender"** means a Lender that is not a U.S. Person.

**"Obligations"** means all advances to, and debts, liabilities, obligations, covenants and duties of, any Borrower arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Borrower of any proceeding under any debtor relief laws naming such Borrower as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

**"OFAC"** means the Office of Foreign Assets Control of the United States Department of the Treasury.

**"Organization Documents"** means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-United States jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

**"Other Connection Taxes"** means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing

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such Taxes (other than a connection arising from such Recipient having executed, delivered, enforced, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to, or enforced, any Loan Document, or sold or assigned an interest in any Loan Document) and which shall, for the avoidance of doubt, be treated as Excluded Taxes.

**"Other Taxes"** means any present or future stamp, court, documentary intangible, recording, filing or similar excise or property Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, or from the registration, receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment under Section 2.19(b)).

**"Overnight Foreign Currency Rate"** means, for any amount payable in a Foreign Currency, the rate of interest per annum as determined by the Administrative Agent at which overnight or weekend deposits in such Foreign Currency (or if such amount due remains unpaid for more than three (3) Business Days, then for such other period of time as the Administrative Agent may elect) for delivery in immediately available and freely transferable funds would be offered by the Administrative Agent to major banks in the interbank market upon request of such major banks for such Foreign Currency as determined above and in an amount comparable to the unpaid principal amount of the related Borrowing or LC Disbursement, plus any taxes, levies, imposts, duties, deductions, charges or withholdings imposed upon, or charged to, the Administrative Agent by any relevant correspondent bank in respect of such amount in such Foreign Currency.

**"Participant"** has the meaning assigned to such term in Section 10.04(c).

**"Participant Register"** has the meaning assigned to such term in Section 10.04(c).

**"PBGC"** means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

**"Permitted Acquisition"** means any Acquisition by the Company or any Subsidiary that satisfies the following conditions:

(a) in the case of an Acquisition of the Equity Interests of any Person, the board of directors (or other comparable governing body) of such other Person shall have approved the Acquisition; and

(b) (i) no Default shall exist and be continuing immediately before or immediately after giving effect thereto, (ii) the representations and warranties made by the Borrowers in any Loan Document (other than the representations and warranties contained in Sections 3.04(b), 3.05 and 3.09) shall be true and correct in all material respects (or in all respects if the applicable representation or warranty is already qualified by concepts of materiality) on and as of the date of such Acquisition (after giving effect thereto), and (iii) in the case of an Acquisition of any Person where the aggregate cash consideration exceeds \$100,000,000, the Company shall have delivered to the Administrative Agent a certificate demonstrating that, upon giving effect to such Acquisition on a Pro Forma Basis, the Borrowers would be in compliance with the financial

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covenants set forth in Section 6.05 as of the most recent fiscal quarter for which the Company has delivered financial statements pursuant to Section 5.01(a) or (b).

**"Permitted Encumbrances"** means:

(a) Liens imposed by law (other than Liens imposed under ERISA) for Taxes that are not yet due or are being contested in compliance with Section 5.04(a);

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's, lessors' and other like Liens arising in the ordinary course of business and securing obligations that are not overdue by more than thirty (30) days or are being contested in compliance with Section 5.04(a);

(c) pledges and deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security laws or regulations (other than any Lien imposed under ERISA);

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) Liens securing judgments for the payment of money not constituting an Event of Default under clause (j) of Article VII; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances affecting real property that do not secure any substantial amount and do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of the applicable Person;

provided that the term **"Permitted Encumbrances"** shall not include any Lien securing Indebtedness.

**"Permitted Investments"** means any Investment by the Company or any Subsidiary that satisfies the following conditions: (a) no Default shall exist and be continuing immediately before or immediately after giving effect thereto, (b) the representations and warranties made by the Borrowers in any Loan Document (other than the representations and warranties contained in Sections 3.04(b), 3.05 and 3.09) shall be true and correct in all material respects (or in all respects if the applicable representation or warranty is already qualified by concepts of materiality) on and as of the date of such Investment (after giving effect thereto), and (c) in the case of an Investment in any Person (other than the Company or any of its Subsidiaries) where the aggregate amount of such Investment exceeds \$100,000,000, the Company shall have delivered to the Administrative Agent a certificate demonstrating that, upon giving effect to such Investment on a Pro Forma Basis, the Borrowers would be in compliance with the financial covenants set forth in Section 6.05 as of the most recent fiscal quarter for which the Company has delivered financial statements pursuant to Section 5.01(a) or (b).

**"Person"** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

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**"Plan"** means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which any Borrower or any of its ERISA Affiliates is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

**"Pounds Sterling"** or **"£"** means the lawful currency of the United Kingdom.

**"Prime Rate"** means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A., as its prime rate in effect at its office located at 270 Park Avenue, New York, New York; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

**"Pro Forma Basis"** means, for purposes of calculating the financial covenants set forth in Section 6.05, that any Acquisition or Investment shall be deemed to have occurred as of the first day of the most recent four (4) fiscal quarter period preceding the date of such transaction for which the Company has delivered financial statements pursuant to Section 5.01(a) or (b). In connection with the foregoing, (a) income statement items (whether positive or negative) attributable to the Person or property acquired shall be included to the extent relating to any period applicable in such calculations to the extent (i) such items are not otherwise included in such income statement items for the Company and its Subsidiaries in accordance with GAAP or in accordance with any defined terms set forth in Section 1.01 and (ii) such items are supported by audited financial statements or other information reasonably satisfactory to the Administrative Agent and (b) any Indebtedness incurred or assumed by the Company or any Subsidiary (including the Person or property acquired) in connection with such transaction and any Indebtedness of the Person or property acquired which is not retired in connection with such transaction (i) shall be deemed to have been incurred as of the first day of the applicable period and (ii) if such Indebtedness has a floating or formula rate, shall have an implied rate of interest for the applicable period for purposes of this definition determined by utilizing the rate which is or would be in effect with respect to such Indebtedness as at the relevant date of determination.

**"Recipient"** means, as applicable, (a) the Administrative Agent, (b) any Lender and (c) the Issuing Bank.

**"Reference Period"** means, as of the last day of any fiscal quarter, the period of four (4) consecutive fiscal quarters of the Company and its Subsidiaries ending on such date.

**"Register"** has the meaning assigned to such term in Section 10.04(b).

**"Related Parties"** means, with respect to any specified Person, such Person's Affiliates and the respective partners, directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

**"Required Lenders"** means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than fifty percent (50%) of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided that, for the purpose of determining the Required Lenders needed for any waiver, amendment, modification or consent, any Lender that is a Borrower, or any Affiliate of a Borrower, shall be disregarded.

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**"Revolving Credit Exposure"** means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure and Swingline Exposure at such time.

**"Revolving Loan"** means a Loan made pursuant to Section 2.03.

**"S&P"** means Standard & Poor's.

**"Sanctions"** means any international economic sanction administered or enforced by OFAC, the United Nations Security Council, the European Union, Her Majesty's Treasury or other relevant sanctions governmental authority.

**"SEC"** means the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission.

**"Securitization Subsidiary"** has the meaning assigned to such term in the definition of "Securitization Transaction".

**"Securitization Transaction"** means any financing transaction or series of financing transactions (including factoring arrangements) pursuant to which the Company or any Subsidiary may sell, convey or otherwise transfer, or grant a security interest in, accounts, payments, receivables, rights to future lease payments or residuals or similar rights to payment to a special purpose subsidiary or affiliate of the Company (each a **"Securitization Subsidiary"**).

**"Significant Subsidiary"** means each Domestic Subsidiary now existing or hereafter acquired or formed, and each successor thereto, with respect to which, after giving pro forma effect to such acquisition or formation, or at any other time thereafter:

(a) the Company's and its other Subsidiaries' Investments in such Domestic Subsidiary exceed ten percent (10%) of the total assets of the Company and its Subsidiaries on a consolidated basis;

(b) the Company's and its other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of such Domestic Subsidiary exceeds ten percent (10%) of the total assets of the Company and its Subsidiaries on a consolidated basis; or

(c) the Company's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such Domestic Subsidiary exceeds ten percent (10%) of such income of the Company and its Subsidiaries on a consolidated basis.

**"Singapore Dollars"** means the lawful currency of Singapore.

**"Statutory Reserve Rate"** means, with respect to any currency, a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve, liquid asset, fees or similar requirements (including any marginal, special, emergency or supplemental reserves or other requirements) established by any central bank, monetary authority, the Board, the Financial Services Authority,



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the European Central Bank or other Governmental Authority for any category of deposits or liabilities customarily used to fund loans in such currency, expressed in the case of each such requirement as a decimal. Such reserve, liquid asset, fees or similar requirements shall, in the case of Loans denominated in U.S. Dollars, include those imposed pursuant to Regulation D of the Board. Eurocurrency Loans shall be deemed to be subject to such reserve, liquid asset, fee or similar requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under any applicable law, rule or regulation, including Regulation D of the Board. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve, liquid asset or similar requirement.

"**subsidiary**" means, with respect to any Person (the "**parent**") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than fifty percent (50%) of the equity or more than fifty percent (50%) of the ordinary voting power or, in the case of a partnership, more than fifty percent (50%) of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"**Subsidiary**" means any subsidiary of the Company.

"**Swap Agreement**" means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Company or its Subsidiaries shall be a Swap Agreement.

"**Swingline Exposure**" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"**Swingline Lender**" means JPMorgan Chase Bank, N.A., in its capacity as lender of Swingline Loans hereunder.

"**Swingline Loan**" means a Loan made pursuant to Section 2.05.

"**Swiss Francs**" means the lawful currency of Switzerland.

"**TARGET**" means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) payment system (or, if such payment system ceases to be operative, such other payment system (if any) reasonably determined by the Administrative Agent to be a suitable replacement) for the settlement of payments in Euro.

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**"Taxes"** means any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

**"Total Capitalization"** means, as of any date, Consolidated Total Debt plus the consolidated stockholders' equity of the Company and its Subsidiaries (calculated excluding adjustments to translate foreign assets and liabilities for changes in foreign exchange rates made in accordance with Financial Accounting Standards Board Statement Nos. 52 and 133), all as would be presented according to GAAP in a consolidated balance sheet of the Company as of such date.

**"Transactions"** means the execution, delivery and performance by each Borrower of each Loan Document to which it is a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

**"Type"**, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

**"U.S. Dollars"** or **"\$"** means the lawful currency of the United States of America.

**"U.S. Person"** means a "United States person" within the meaning of Section 7701(a)(30) of the Code.

**"U.S. Tax Certificate"** has the meaning assigned to such term in Section 2.17(f)(ii)(D)(2).

**"Withdrawal Liability"** means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

**"Withholding Agent"** means any Borrower and the Administrative Agent.

SECTION 1.02 Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a **"Revolving Loan"**) or by Type (e.g., a **"Eurocurrency Loan"**) or by Class and Type (e.g., a **"Eurocurrency Revolving Loan"**). Borrowings also may be classified and referred to by Class (e.g., a **"Revolving Borrowing"**) or by Type (e.g., a **"Eurocurrency Borrowing"**) or by Class and Type (e.g., a **"Eurocurrency Revolving Borrowing"**).

SECTION 1.03 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended,

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supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04 Accounting Terms: GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Administrative Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Such amendment, regardless of whether requested by the Company or the Required Lenders, shall be negotiated in good faith by the Company, the Administrative Agent and the Lenders. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Financial Accounting Standards Board Accounting Standards Codification 825 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Company or any Subsidiary at "fair value", as defined therein.

## ARTICLE II

### The Credits

#### SECTION 2.01 Commitments; Existing Letters of Credit.

(a) Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrowers in Agreed Currencies from time to time during the Availability Period in an aggregate principal amount that will not result in, subject to Sections 2.04 and 2.11(c), (a) the Dollar Amount of such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the Dollar Amount of the total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

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(b) On the Effective Date, the Existing Letters of Credit issued under the Existing Credit Agreement shall automatically, and without any action on the part of any Person, be deemed to be Letters of Credit issued hereunder and shall be subject to and governed by the terms and conditions hereof. In connection therewith, each Lender shall automatically, and without any action on the part of any Person, be deemed to have acquired from the Issuing Bank a participation in each such Letter of Credit in accordance with Section 2.06(d).

SECTION 2.02 Loans and Borrowings.

(a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurocurrency Loans as the Company may request in accordance herewith; provided that each ABR Loan shall only be made in U.S. Dollars. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurocurrency Loan to any Borrower, or any Loan to a Foreign Obligor, by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurocurrency Revolving Borrowing, such Borrowing shall be in an aggregate amount that is (i) an integral multiple of (A) in the case of a Borrowing denominated in U.S. Dollars, \$1,000,000, (B) in the case of a Borrowing denominated in Japanese Yen, ¥100,000,000, and (C) in the case of a Borrowing denominated in any other Foreign Currency, the smallest amount of such Foreign Currency that has an Equivalent Amount in excess of \$1,000,000, and (ii) not less than (A) in the case of a Borrowing denominated in U.S. Dollars, \$1,000,000, (B) in the case of a Borrowing denominated in Japanese Yen, ¥100,000,000, and (C) in the case of a Borrowing denominated in any other Foreign Currency, the smallest amount of such Foreign Currency that has an Equivalent Amount in excess of \$1,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$1,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Swingline Loan shall be in an amount that is not less than \$250,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of ten (10) Eurocurrency Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Company shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

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SECTION 2.03 Requests for Revolving Borrowings. To request a Revolving Borrowing, the Company shall notify the Administrative Agent of such request by telecopy of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Company (or, in the case of a Revolving Borrowing denominated in U.S. Dollars, by telephone confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Company) (a) in the case of a Eurocurrency Borrowing denominated in U.S. Dollars, not later than 11:00 a.m., New York City time, three (3) Business Days before the date of the proposed Borrowing, (b) in the case of a Eurocurrency Borrowing denominated in a Foreign Currency, not later than 11:00 a.m., Local Time, four (4) Business Days before the date of the proposed Borrowing, or (c) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall specify the following information in compliance with Section 2.02:

- (i) the Borrower requesting such Borrowing;
- (ii) the aggregate amount of the requested Borrowing;
- (iii) the date of such Borrowing, which shall be a Business Day;
- (iv) whether such Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing;
- (v) in the case of a Eurocurrency Borrowing, the Agreed Currency and initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period" and
- (vi) the location and number of the applicable Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no denomination is specified with respect to any requested Eurocurrency Borrowing, then the requested Revolving Borrowing shall be denominated in U.S. Dollars. If no election as to the Type of Revolving Borrowing is specified, then, in the case of a Borrowing denominated in U.S. Dollars, the requested Revolving Borrowing shall be an ABR Borrowing, and in the case of a Borrowing denominated in a Foreign Currency, the requested Revolving Borrowing shall be a Eurocurrency Borrowing. If no Interest Period is specified with respect to any requested Eurocurrency Revolving Borrowing, then the Company shall be deemed to have selected an Interest Period of one (1) month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

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SECTION 2.04 Determination of Dollar Amounts. The Administrative Agent will determine the Dollar Amount of:

- (a) each Eurocurrency Borrowing as of the date two (2) Business Days prior to the date of such Borrowing or, if applicable, the date of conversion or continuation of any Borrowing as a Eurocurrency Borrowing;
- (b) the LC Exposure as of the date of each request for the issuance, amendment, renewal or extension of any Letter of Credit; and
- (c) all outstanding Revolving Loans and the LC Exposure on and as of the last Business Day of each calendar quarter and, during the continuation of an Event of Default, on any other Business Day elected by the Administrative Agent in its discretion or upon instruction by the Required Lenders.

Each day upon or as of which the Administrative Agent determines Dollar Amounts as described in the preceding clauses (a), (b) and (c) is herein described as a "**Computation Date**" with respect to each Borrowing, Letter of Credit or LC Exposure for which a Dollar Amount is determined on or as of such day.

SECTION 2.05 Swingline Loans.

(a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans in U.S. Dollars to the Company from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$25,000,000 or (ii) the Dollar Amount of the total Revolving Credit Exposures exceeding the total Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Company may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Company shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 1:00 p.m., New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Company. The Swingline Lender shall make each Swingline Loan available to the Company by means of a credit to the general deposit account of the Company with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will

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give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, *mutatis mutandis*, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Company of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Company (or other party on behalf of the Company) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Company for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Company of any default in the payment thereof.

**SECTION 2.06 Letters of Credit.**

(a) General. Subject to the terms and conditions set forth herein, the Company may request the issuance of Letters of Credit denominated in Agreed Currencies as the applicant thereof for the support of its or its Subsidiaries' obligations, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Company to, or entered into by the Company with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Company shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (no less than three (3) Business Days in advance of the requested date of issuance, amendment, renewal or extension, or such later date and time as the Administrative Agent and the Issuing Bank may agree in a particular instance in their sole discretion) a notice requesting the issuance of a Letter of Credit, or identifying the

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Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the Agreed Currency applicable thereto, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Company also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrowers shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, subject to Sections 2.04 and 2.11(c), (i) the Dollar Amount of the LC Exposure shall not exceed \$100,000,000 and (ii) the Dollar Amount of the total Revolving Credit Exposures shall not exceed the total Commitments.

(c) Expiration Date. Each Letter of Credit shall expire (or be subject to termination by notice from the Issuing Bank to the beneficiary thereof) at or prior to the close of business on the earlier of (i) the date one (1) year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one (1) year after such renewal or extension) and (ii) the date that is five (5) Business Days prior to the Maturity Date; provided that any Letter of Credit may contain customary automatic renewal provisions agreed upon by the Company and the Issuing Bank pursuant to which the expiration date of such Letter of Credit shall be automatically extended for a period of up to 12 months (but not to a date later than the date set forth in clause (ii) above).

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Company on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Company for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Company shall reimburse such LC Disbursement by paying to the Administrative Agent in an amount equal to such LC Disbursement not later than 1:00 p.m., Local Time, on the date that such LC Disbursement is made, if the Company shall have received notice of such LC Disbursement prior to 10:00 a.m., Local Time, on such date, or, if such notice has not been received by the Company prior to such time on such date, then not later than 1:00



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p.m., Local Time, on the Business Day immediately following the day that the Company receives such notice; provided that, if such LC Disbursement is not less than the Equivalent Amount of \$100,000, the Company may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in the Dollar Amount of such LC Disbursement and, to the extent so financed, the Company's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Company fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Company in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Company, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Company pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Company of its obligation to reimburse such LC Disbursement. If the Company's reimbursement of, or obligation to reimburse, any amounts in any Foreign Currency would subject a Credit Party to any stamp duty, ad valorem charge or similar tax that would not be payable if such reimbursement were made or required to be made in U.S. Dollars, the Company shall, at its option, either (x) pay the amount of any such tax requested by such Credit Party or (y) reimburse each LC Disbursement made in such Foreign Currency in U.S. Dollars, in an amount equal to the Dollar Amount, calculated using the applicable exchange rates, on the date such LC Disbursement is made, of such LC Disbursement.

(f) **Obligations Absolute.** The Company's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Company's obligations hereunder. Neither the Credit Parties nor any of their Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to

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make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Company to the extent of any direct damages (as opposed to special, indirect, consequential or punitive damages, claims in respect of which are hereby waived by the Company to the extent permitted by applicable law) suffered by the Company that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Company by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Company of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Company shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Company reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans (or, if such LC Disbursement is denominated in a Foreign Currency, at the Overnight Foreign Currency Rate for such Foreign Currency plus the then effective Applicable Rate with respect to Eurocurrency Revolving Loans); provided that, if the Company fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Company, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Company shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this

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Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Company receives notice from the Administrative Agent at the written request of the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than fifty percent (50%) of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Company shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Issuing Bank and the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to any Borrower described in clause (g) or (h) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the Obligations. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account, and the Borrowers hereby grant to the Administrative Agent, for the benefit of the Issuing Bank and the Lenders, a security interest in such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Company's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Company for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than fifty percent (50%) of the total LC Exposure), be applied to satisfy other Obligations. If the Company is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Company within three (3) Business Days after all Events of Default have been cured or waived.

#### SECTION 2.07 Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds (i) in the case of Loans denominated in U.S. Dollars, by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders, and (ii) in the case of Loans denominated in a Foreign Currency, by 12:00 noon, Local Time, in the city of the Administrative Agent's Eurocurrency Payment Office for such Foreign Currency and at such Eurocurrency Payment Office; provided that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the

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applicable Borrower by promptly crediting the amounts so received, in like funds, to (x) in the case of Loans denominated in U.S. Dollars, an account of such Borrower maintained with the Administrative Agent in New York City and designated by the Company in the applicable Borrowing Request, and (y) in the case of Loans denominated in a Foreign Currency, an account of such Borrower in the relevant jurisdiction and designated by the Company in the applicable Borrowing Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the applicable Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the applicable Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (including the Overnight Foreign Currency Rate in the case of Loans denominated in a Foreign Currency) or (ii) in the case of such Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

#### SECTION 2.08 Interest Elections.

(a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Company may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurocurrency Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Company may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Company shall notify the Administrative Agent of such election by telecopy of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Company (or, in the case of a Revolving Borrowing denominated in U.S. Dollars, by telephone confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Company) by the time that a Borrowing Request would be required under Section 2.03 if the Company were requesting a Revolving

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Borrowing of the Type resulting from such election to be made on the effective date of such election. Notwithstanding any other provision of this Section, the Company shall not be permitted to (i) change the currency of any Borrowing, (ii) elect an Interest Period for Eurocurrency Loans that does not comply with Section 2.02(d) or (iii) convert any Borrowing to a Borrowing of a Type not available to the applicable Borrower for such Borrowing when it was made.

(c) Each telephonic and written Interest Election Request shall be irrevocable and shall specify the following information in compliance with Section 2.02:

- (i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);
- (ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;
- (iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing; and
- (iv) if the resulting Borrowing is a Eurocurrency Borrowing, the Interest Period and Agreed Currency to be applicable thereto after giving effect to such election, which Interest Period shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurocurrency Borrowing but does not specify an Interest Period, then the Company shall be deemed to have selected an Interest Period of one (1) month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Company fails to deliver a timely Interest Election Request with respect to a Eurocurrency Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period (i) in the case of a Borrowing denominated in U.S. Dollars, such Borrowing shall be converted to an ABR Borrowing, and (ii) in the case of a Borrowing denominated in a Foreign Currency, such Borrowing shall automatically continue as a Eurocurrency Borrowing in the same Agreed Currency with an Interest Period of one (1) month. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Company, then, so long as an Event of Default is continuing (x) no outstanding Revolving Borrowing may be converted to or continued as a Eurocurrency Borrowing and (y) unless repaid, each Eurocurrency Revolving Borrowing shall be converted to an ABR Borrowing (and any such Eurocurrency Revolving

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Borrowing denominated in a Foreign Currency shall be redenominated in Dollars at the time of such conversion) at the end of the Interest Period applicable thereto.

SECTION 2.09 Termination and Reduction of Commitments.

(a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrowers may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$1,000,000 and (ii) the Borrowers shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the Dollar Amount of the total Revolving Credit Exposures would exceed the total Commitments.

(c) The Company shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three (3) Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any such notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Company pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Company may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.10 Repayment of Loans; Evidence of Debt.

(a) (i) Each Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan made to such Borrower on the Maturity Date in the currency of such Loan and (ii) the Company hereby unconditionally promises to pay to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first date after such Swingline Loan is made that is the fifteenth (15<sup>th</sup>) or last day of a calendar month and is at least two (2) Business Days after such Swingline Loan is made; provided that on each date that a Revolving Borrowing is made to the Company, the Company shall repay all Swingline Loans then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Loan made to such Borrower by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class, Agreed Currency and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable

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or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be *prima facie* evidence of the existence and amounts of the Obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of each Borrower to repay the Loans made to such Borrower in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrowers shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

#### SECTION 2.11 Prepayment of Loans.

(a) The Borrowers shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section; provided that each prepayment shall be in an aggregate amount that is (i) an integral multiple of (A) in the case of an ABR Revolving Borrowing, \$100,000, (B) in the case of a Eurocurrency Revolving Borrowing denominated in U.S. Dollars, \$1,000,000, (C) in the case of a Eurocurrency Revolving Borrowing denominated in Japanese Yen, ¥100,000,000, and (D) in the case of a Eurocurrency Revolving Borrowing denominated in any other Foreign Currency, the smallest amount of such Foreign Currency that has an Equivalent Amount in excess of \$1,000,000, and (ii) not less than (A) in the case of a Swingline Borrowing, \$100,000, (B) in the case of an ABR Revolving Borrowing, \$1,000,000, (C) in the case of a Eurocurrency Revolving Borrowing denominated in U.S. Dollars, \$1,000,000, (D) in the case of a Eurocurrency Revolving Borrowing denominated in Japanese Yen, ¥100,000,000, and (E) in the case of a Eurocurrency Revolving Borrowing denominated in any other Foreign Currency, the smallest amount of such Foreign Currency that has an Equivalent Amount in excess of \$1,000,000.

(b) The Company, on behalf of the applicable Borrower, shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Company shall notify the Swingline Lender) by telecopy of a written notice signed by the Borrower (or, in the case of a prepayment of a Borrowing denominated in U.S. Dollars, by telephone confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written notice signed by the Borrower) of any prepayment hereunder (i) in the case of prepayment of a Eurocurrency Revolving Borrowing denominated in U.S. Dollars, not later than 11:00 a.m., New York City time, three (3) Business Days before the date of prepayment, (ii) in the case of prepayment of a Eurocurrency Revolving Borrowing denominated in a Foreign Currency, not later than 11:00 a.m., Local Time, four (4) Business Days before the date of prepayment, (iii) in the case of

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prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, on the date of prepayment or (iv) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such telephonic and written notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13 and break funding payments to the extent required by Section 2.16.

(c) If at any time, (i) other than as a result of fluctuations in currency exchange rates, the sum of the aggregate principal Dollar Amount of the total Revolving Credit Exposures (calculated, with respect to Revolving Loans and LC Exposure denominated in Foreign Currencies, as of the most recent Computation Date with respect to each such Revolving Loans and LC Exposure) exceeds the total Commitments or (ii) solely as a result of fluctuations in currency exchange rates, the aggregate principal Dollar Amount of the total Revolving Credit Exposures (so calculated), as of the most recent Computation Date, exceeds one hundred five percent (105%) of the total Commitments, the Borrowers shall, in each case, immediately repay Borrowings or cash collateralize LC Exposure in accordance with the procedures set forth in Section 2.06(j), as applicable, in an aggregate principal amount sufficient to cause the Dollar Amount of the total Revolving Credit Exposures (so calculated) to be less than or equal to the total Commitments.

#### SECTION 2.12 Fees.

(a) The Company agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of three hundred sixty (360) days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).



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(b) The Company agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurocurrency Revolving Loans on the average daily Dollar Amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Company and the Issuing Bank on the average daily Dollar Amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third (3<sup>rd</sup>) Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within ten (10) days after demand. All participation fees and fronting fees shall be computed on the basis of a year of three hundred sixty (360) days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Company agrees to pay to the Administrative Agent and the Arrangers, for their own respective accounts, fees payable in the amounts and at the times separately agreed upon between the Company, on the one hand, and the Administrative Agent or either Arranger, on the other.

(d) All fees payable hereunder shall be paid on the dates due, in U.S. Dollars and immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

#### SECTION 2.13 Interest.

(a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurocurrency Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrowers hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any

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Loan, two percent (2%) plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, two percent (2%) plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurocurrency Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion. All interest shall be payable in the currency in which the applicable Loan is denominated.

(e) All interest hereunder shall be computed on the basis of a year of three hundred sixty (360) days, except that (i) interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of three hundred sixty-five (365) days (or three hundred sixty-six (366) days in a leap year) and (ii) for Borrowings denominated in Pounds Sterling shall be computed on the basis of a year of three hundred sixty-five (365) days, and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14 Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurocurrency Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Company and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Company and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurocurrency Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurocurrency Revolving Borrowing denominated in U.S. Dollars, such Borrowing shall be made as an ABR Borrowing, and (iii) if any Borrowing Request requests a Eurocurrency Revolving Borrowing denominated in a Foreign Currency, such Borrowing Request shall be ineffective; provided that if the circumstances giving

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rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.15 Increased Costs.

(a) If any Change in Law shall:

- (i) impose, modify or deem applicable any reserve, special deposit or similar requirement (including any compulsory loan requirement, insurance charge or other assessment) against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or
- (ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition, cost or expense affecting any Loan Document or Eurocurrency Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan or of maintaining its obligation to make any such Loan (including pursuant to any conversion of any Borrowing denominated in an Agreed Currency to a Borrowing denominated in any other Agreed Currency) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit (including pursuant to any conversion of any Borrowing denominated in an Agreed Currency to a Borrowing denominated in any other Agreed Currency) or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder, whether of principal, interest or otherwise (including pursuant to any conversion of any Borrowing denominated in an Agreed Currency to a Borrowing denominated in any other Agreed Currency), then the Company will pay (or cause the applicable Designated Borrower to pay) to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank reasonably determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of any Loan Document or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Company will pay (or cause the applicable Designated Borrower to pay) to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

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(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall pay (or cause the applicable Designated Borrower to pay) such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that no Borrower shall be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than two hundred seventy (270) days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Company of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the two hundred seventy (270) day period referred to above shall be extended to include the period of retroactive effect thereof.

**SECTION 2.16 Break Funding Payments.** In the event of (a) the payment of any principal of any Eurocurrency Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default or as a result of any prepayment pursuant to Section 2.11), (b) the conversion of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurocurrency Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), or (d) the assignment of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Company pursuant to Section 2.19, then, in any such event, the Company shall compensate (or cause the applicable Designated Borrower to compensate) each Lender for the loss, cost and expense attributable to such event. Such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for deposits in the applicable currency of a comparable amount and period from other banks in the Eurocurrency market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall pay (or cause the applicable Designated Borrower to pay) such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

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SECTION 2.17 Taxes.

(a) Withholding Taxes; Gross-Up. Each payment by any Borrower under any Loan Document shall be made without withholding for any Indemnified Taxes, unless such withholding is required by law. If any Withholding Agent determines, in its sole discretion exercised in good faith, that it is so required to withhold Indemnified Taxes, then such Withholding Agent may so withhold and shall timely pay the full amount of withheld Taxes to the relevant Governmental Authority in accordance with applicable law. The amount payable in respect of Indemnified Taxes by any Borrower shall be increased as necessary so that net of such withholding (including withholding applicable to additional amounts payable under this Section) the applicable Recipient receives the amount it would have received had no such withholding been made.

(b) Payment of Other Taxes by the Borrowers. The Borrowers shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Evidence of Payment. As soon as practicable after any payment of Indemnified Taxes by any Borrower to a Governmental Authority, such Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Indemnification by the Borrowers. The Borrowers shall indemnify each Recipient for any Indemnified Taxes that are paid or payable by such Recipient in connection with any Loan Document (including amounts paid or payable under this Section 2.17(d)) and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The indemnity under this Section 2.17(d) shall be paid within ten (10) days after the Recipient delivers to the applicable Borrower a certificate stating the amount of any Indemnified Taxes so paid or payable by such Recipient and describing the basis for the indemnification claim. Such certificate shall be conclusive of the amount so paid or payable absent manifest error. Such Recipient shall deliver a copy of such certificate to the Administrative Agent.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify (i) the Administrative Agent for any Taxes (but, in the case of any Indemnified Taxes, only to the extent that any Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrowers to do so) attributable to such Lender that are paid or payable by the Administrative Agent in connection with any Loan Document and (ii) each Borrower and the Administrative Agent for any Taxes incurred by or asserted against any Borrower or the Administrative Agent by any Governmental Authority as a result of the failure by such Lender to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by such Lender, to the Company or the Administrative Agent pursuant to subsection (f); in each case of the preceding clauses (i) and (ii), including any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The indemnity under this Section 2.17(e) shall be paid within ten (10) days after the Administrative Agent or the applicable Borrower (as applicable) delivers to the applicable

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Lender a certificate stating the amount of Taxes so paid or payable by the Administrative Agent or the applicable Borrower (as applicable). Such certificate shall be conclusive of the amount so paid or payable absent manifest error.

(f) **Status of Lenders.** (i) Any Lender that is entitled to an exemption from, or reduction of, any applicable withholding Tax with respect to any payments under any Loan Document shall deliver to the Company and the Administrative Agent, at the time or times prescribed by law or as reasonably requested by the Company or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Company or the Administrative Agent as will permit such payments to be made without, or at a reduced rate of, withholding. In addition, any Lender, if requested by the Company or the Administrative Agent, shall deliver such other documentation prescribed by law or reasonably requested by the Company or the Administrative Agent as will enable the Company or the Administrative Agent to determine whether or not such Lender is subject to any withholding (including backup withholding) or information reporting requirements. Upon the reasonable request of the Company or the Administrative Agent, any Lender shall update any form or certification previously delivered pursuant to this Section 2.17(f). If any form or certification previously delivered pursuant to this Section expires or becomes obsolete or inaccurate in any respect with respect to a Lender, such Lender shall promptly (and in any event within ten (10) days after such expiration, obsolescence or inaccuracy) notify the Company and the Administrative Agent in writing of such expiration, obsolescence or inaccuracy and update the form or certification if it is legally eligible to do so.

(ii) Without limiting the generality of the foregoing, if any Borrower is a U.S. Person, any Lender with respect to such Borrower shall, if it is legally eligible to do so, deliver to the Company and the Administrative Agent (in such number of copies reasonably requested by the Company and the Administrative Agent) on or prior to the date on which such Lender becomes a party hereto, duly completed and executed copies of whichever of the following is applicable:

(A) in the case of a Lender that is a U.S. Person, IRS Form W-9 certifying that such Lender is exempt from United States Federal backup withholding tax;

(B) in the case of a Non-U.S. Lender claiming the benefits of an income tax treaty to which the United States of America is a party (1) with respect to payments of interest under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, United States Federal withholding Tax pursuant to the "interest" article of such tax treaty and (2) with respect to any other applicable payments under this Agreement, IRS Form W-8BEN establishing an exemption from, or reduction of, United States Federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(C) in the case of a Non-U.S. Lender for whom payments under this Agreement constitute income that is effectively connected with such Lender's

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conduct of a trade or business in the United States of America, IRS Form W-8ECI;

(D) in the case of a Non-U.S. Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code both (1) IRS Form W-8BEN and (2) a certificate substantially in the applicable form attached as Exhibit B (a "U.S. Tax Certificate") to the effect that such Lender is not (a) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (b) a "10 percent shareholder" of the Company within the meaning of Section 881(c)(3)(B) of the Code (c) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code and (d) conducting a trade or business in the United States of America with which the relevant interest payments are effectively connected;

(E) in the case of a Non-U.S. Lender that is not the beneficial owner of payments made under this Agreement (including a partnership or a participating Lender) (1) an IRS Form W-8IMY on behalf of itself and (2) all required supporting documentation, including the relevant forms prescribed in clauses (A), (B), (C), (D) and (F) of this Section 2.17(f)(ii) that would be required of each such beneficial owner or partner of such partnership if such beneficial owner or partner were a Lender; or

(F) any other form prescribed by law as a basis for claiming exemption from, or a reduction of, U.S. Federal withholding Tax together with such supplementary documentation necessary to enable the Company or the Administrative Agent to determine the amount of Tax (if any) required by law to be withheld.

- (iii) If a Withholding Agent determines that a payment made to a Lender under any Loan Document may be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Withholding Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Withholding Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Withholding Agent as may be necessary for the Withholding Agent to comply with its obligations under FATCA, to determine that such Lender has or has not complied with such Lender's obligations under FATCA and, as necessary, to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 2.17(f)(iii), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.
- (iv) Without limiting the obligations of the Lenders set forth above regarding delivery of certain forms and documents to establish each Lender's status for U.S. withholding tax purposes, each Lender agrees promptly to deliver

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to the Administrative Agent or the Company, as the Administrative Agent or the Company shall reasonably request, on or prior to the Effective Date, and in a timely fashion thereafter, such other documents and forms required by any relevant taxing authorities under the laws of any other jurisdiction, duly executed and completed by such Lender, as are required under such laws to confirm such Lender's entitlement to any available exemption from, or reduction of, applicable withholding taxes in respect of all payments to be made to such Lender outside of the United States of America by the Borrowers pursuant to this Agreement or otherwise to establish such Lender's status for withholding tax purposes in such other jurisdiction. Each Lender shall promptly (A) notify the Administrative Agent of any change in circumstances which would modify or render invalid any such claimed exemption or reduction, and (B) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its applicable lending office) to avoid any requirement of applicable laws of any such jurisdiction that any Borrower make any deduction or withholding for taxes from amounts payable to such Lender. Additionally, each of the Borrowers shall promptly deliver to the Administrative Agent or any Lender, as the Administrative Agent or such Lender shall reasonably request, on or prior to the Effective Date, and in a timely fashion thereafter, such documents and forms required by any relevant taxing authorities under the laws of any jurisdiction, duly executed and completed by such Borrower, as are required to be furnished by such Lender or the Administrative Agent under such laws in connection with any payment by the Administrative Agent or any Lender of Taxes or Other Taxes, or otherwise in connection with the Loan Documents, with respect to such jurisdiction.

(g) Notwithstanding anything else herein to the contrary, if a Lender is subject to U.S. Federal withholding tax at a rate in excess of zero percent at the time such Lender first becomes a party to this Agreement, such U.S. Federal withholding tax (including additions to tax, penalties and interest imposed with respect to such U.S. Federal withholding tax) shall be considered excluded from Indemnified Taxes except to the extent such Lender's assignor was entitled to additional amounts or indemnity payments prior to the assignment. Further, a Borrower shall not be required pursuant to this Section 2.17 to pay any additional amount to, or to indemnify, any Lender or the Administrative Agent, as the case may be, to the extent that such Lender or Administrative Agent becomes subject to Indemnified Taxes subsequent to the Effective Date (or, if later, the date such Lender or Administrative Agent becomes a party to this Agreement) solely as a result of a change in the place of organization or place of doing business of such Lender or Administrative Agent or a change in the lending office of such Lender (other than at the written request of a Borrower to change such lending office).

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including additional amounts paid pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (but



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only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including any Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid such indemnified party pursuant to the previous sentence (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event such indemnified party is required to repay such refund to such Governmental Authority. This Section 2.17(h) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes which it deems confidential) to the indemnifying party or any other Person.

(i) Issuing Bank. For purposes of Section 2.17(e) and (f), the term "Lender" includes the Issuing Bank.

SECTION 2.18 Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) Each Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon, Local Time, on the date when due, in immediately available funds, without set off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at (x) in the case of payments denominated in U.S. Dollars, its offices at 270 Park Avenue, New York, New York, and (y) in the case of payments denominated in a Foreign Currency, its Eurocurrency Payment Office for such Foreign Currency, in each case except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder of principal or interest in respect of any Loan or LC Disbursement shall, except as otherwise expressly provided herein, be made in the currency of such Loan or LC Disbursement, and all other payments hereunder and under each other Loan Document shall be made in U.S. Dollars. Notwithstanding the foregoing provisions of this Section, if, after the making of any Borrowing or LC Disbursement in any Foreign Currency, currency control or exchange regulations are imposed in the country which issues such Foreign Currency with the result that such Foreign Currency no longer exists or the applicable Borrower is not able to make payment to the Administrative Agent for the account of the Lenders in such Foreign Currency, then all payments to be made by such Borrower hereunder in such Foreign Currency shall instead be made when due in U.S. Dollars in an amount equal to the Dollar Amount (as of the date of repayment) of such payment due, it being the intention of the parties hereto that such Borrower takes all risks of the imposition of any such currency control or exchange regulations.

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(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to any Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from any Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (including the Overnight Foreign Currency Rate in the case of Loans denominated in a Foreign Currency).

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(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), then the Administrative Agent may, in its discretion and notwithstanding any contrary provision hereof, apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid, and/or (ii) hold such amounts in a segregated account over which the Administrative Agent shall have exclusive control as cash collateral for, and application to, any future funding obligations of such Lender under any such Section, in the case of each of clause (i) and (ii) above, in any order as determined by the Administrative Agent in its discretion.

**SECTION 2.19 Mitigation Obligations; Replacement of Lenders.**

(a) If any Lender requests compensation under Section 2.15, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay (or cause the applicable Designated Borrower to pay) all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender becomes a Defaulting Lender, then the Company may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all its interests, rights and obligations under the Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Company shall have received the prior written consent of the Administrative Agent (and if a Commitment is being assigned, the Issuing Bank), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

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SECTION 2.20 Defaulting Lenders.

Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the Commitment of such Defaulting Lender pursuant to Section 2.12(a);

(b) the Commitment and Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether all Lenders or the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 10.02); provided that any waiver, amendment or other modification requiring the consent of all Lenders or each affected Lender which affects such Defaulting Lender disproportionately when compared to the other affected Lenders, or increases or extends the Commitment of such Defaulting Lender, shall require the consent of such Defaulting Lender;

(c) if any Swingline Exposure or LC Exposure exists at the time such Lender becomes a Defaulting Lender then:

- (i) all or any part of the Swingline Exposure and LC Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent that (A) the sum of all non-Defaulting Lenders' Revolving Credit Exposures plus such Defaulting Lender's Swingline Exposure and LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments, (B) such reallocation does not cause the Revolving Credit Exposure of any non-Defaulting Lender to exceed such non-Defaulting Lender's Commitment, and (C) the conditions set forth in Section 4.02 are satisfied at such time;
- (ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Company shall within one (1) Business Day following notice by the Administrative Agent (A) first, prepay such Swingline Exposure and (B) second, cash collateralize for the benefit of the Issuing Bank only the Company's obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.06(j) for so long as such LC Exposure is outstanding;
- (iii) if the Company cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to clause (ii) above, the Company shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(b) with respect to such Defaulting Lender's LC Exposure

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during the period such Defaulting Lender's LC Exposure is cash collateralized;

- (iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Section 2.12(b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; and
- (v) if all or any portion of such Defaulting Lender's LC Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of the Issuing Bank or any other Lender hereunder, all facility fees that otherwise would have been payable under Section 2.12(a) to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such LC Exposure) and letter of credit fees payable under Section 2.12(b) with respect to such Defaulting Lender's LC Exposure shall be payable to the Issuing Bank until and to the extent that such LC Exposure is reallocated and/or cash collateralized; and

(d) so long as such Lender is a Defaulting Lender, (i) the Swingline Lender shall not be required to fund any Swingline Loan and the Issuing Bank shall not be required to issue, amend, renew or extend any Letter of Credit, unless it is satisfied that the related exposure and the Defaulting Lender's then outstanding LC Exposure will be one hundred percent (100%) covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Company in accordance with clause (c) above, and (ii) participating interests in any newly made Swingline Loan or any newly issued, amended, renewed or extended Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with clause (c)(i) above (and such Defaulting Lender shall not participate therein).

In the event that the Administrative Agent, the Company, the Swingline Lender and the Issuing Bank each agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

#### SECTION 2.21 Expansion Option.

(a) The Company may from time to time, but not more than five (5) times during the term of this Agreement, elect to increase the aggregate Commitments and/or enter into one or more tranches of term loans (each, an "***Incremental Term Loan***"), in each case in a minimum amount of \$10,000,000 and an integral multiple of \$5,000,000 in excess thereof so long as, after giving effect thereto, the aggregate amount of such Commitment increases and all such Incremental Term Loans does not exceed \$200,000,000. The Company may arrange for any such Commitment increase or Incremental Term Loan to be provided by one or more Lenders (each Lender so agreeing to an increase in its Commitment, or to participate in such

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Incremental Term Loans, an "**Increasing Lender**"), or by one or more new banks, financial institutions or other entities (each such new bank, financial institution or other entity, an "**Augmenting Lender**"), to increase their existing Commitments, or to participate in such Incremental Term Loans, or extend Commitments, as the case may be; provided that (i) each Augmenting Lender shall be subject to the approval of the Company and the Administrative Agent and, except in the case of an Incremental Term Loan, the Swingline Lender and the Issuing Bank, which approvals shall not be unreasonably withheld and (ii) (A) in the case of an Increasing Lender, the Company and such Increasing Lender execute an agreement substantially in the form of Exhibit G, and (B) in the case of an Augmenting Lender, the Company and such Augmenting Lender execute an agreement substantially in the form of Exhibit H hereto. No consent of any Lender (other than the Lenders participating in such Commitment increase or Incremental Term Loan) shall be required for any such increase or Incremental Term Loan pursuant to this Section 2.21.

(b) Commitment increases, new Commitments and Incremental Term Loans created pursuant to this Section 2.21 shall become effective on the date agreed by the Company, the Administrative Agent and the relevant Increasing Lenders and/or Augmenting Lenders, and the Administrative Agent shall notify each Lender thereof. Notwithstanding the foregoing, no increase in the aggregate Commitments (or in the Commitment of any Lender) or Incremental Term Loan shall become effective under this paragraph unless (i) on the proposed date of the effectiveness of such Commitment increase or Incremental Term Loan, (A) the conditions set forth in paragraphs (a) and (b) of Section 4.02 shall be satisfied both before and immediately after giving effect to such Commitment increase or Incremental Term Loan or waived by the Required Lenders, and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Company and (B) the Company shall be in pro forma compliance with the Consolidated Leverage Ratio covenant set forth in Section 6.05(a), with Consolidated Total Debt measured as of the date of and immediately after giving effect to any funding in connection with such Commitment increase or Incremental Term Loan (and the application of proceeds thereof to the repayment of any other Indebtedness) and Consolidated EBITDA measured for the Reference Period then most recently ended for which the Company has delivered financial statements pursuant to Sections 5.01(a) or (b), and (ii) the Administrative Agent shall have received documents consistent with those delivered on the Effective Date as to the corporate power and authority of the Borrowers to borrow hereunder immediately after giving effect to such Commitment increase or Incremental Term Loan.

(c) On the effective date of any increase in the aggregate Commitments or any Incremental Term Loan being made, (i) each relevant Increasing Lender and Augmenting Lender shall make available to the Administrative Agent such amounts in immediately available funds as the Administrative Agent shall determine, for the benefit of the other Lenders, as being required in order to cause, after giving effect to such Commitment increase and the use of such amounts to make payments to such other Lenders, each Lender's portion of the outstanding Revolving Loans of all the Lenders to equal its Applicable Percentage of such outstanding Revolving Loans, and (ii) the Borrowers shall be deemed to have repaid and reborrowed all outstanding Revolving Loans as of the date of any increase in the Commitments (with such reborrowing to consist of the Types of Revolving Loans, with related Interest Periods if applicable, specified in a notice delivered by the Company, in accordance with the requirements of Section 2.03). The deemed payments made pursuant to clause (ii) of the immediately

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preceding sentence shall be accompanied by payment of all accrued interest on the amount prepaid and, in respect of each Eurocurrency Loan, shall be subject to indemnification by the Borrowers pursuant to the provisions of Section 2.16 if the deemed payment occurs other than on the last day of the related Interest Periods.

(d) The Incremental Term Loans (i) shall rank pari passu in right of payment with the Revolving Loans, (ii) shall not mature earlier than the Maturity Date (but may have amortization prior to such date) and (iii) shall be treated substantially the same as (and in any event no more favorably than) the Revolving Loans; provided that (x) the terms and conditions applicable to any Incremental Term Loan maturing after the Maturity Date may provide for material additional or different financial or other covenants or prepayment requirements applicable only during periods after the Maturity Date and (ii) the Incremental Term Loans may be priced differently than the Revolving Loans.

(e) Incremental Term Loans may be made hereunder pursuant to an amendment or restatement (an "**Incremental Term Loan Amendment**") of this Agreement and, as appropriate, the other Loan Documents, executed by the Company, each Increasing Lender participating in such Incremental Term Loan, each Augmenting Lender participating in such Incremental Term Loan, if any, and the Administrative Agent. Each Incremental Term Loan Amendment may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent, to effect the provisions of this Section 2.21. Nothing contained in this Section 2.21 shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Commitment hereunder, or provide Incremental Term Loans, at any time.

**SECTION 2.22 Judgment Currency.** If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due from any Borrower hereunder in the currency expressed to be payable herein (the "**specified currency**") into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the specified currency with such other currency at the Administrative Agent's main New York City office on the Business Day preceding that on which final, non-appealable judgment is given. The obligations of any Borrower in respect of any sum due to any Credit Party hereunder shall, notwithstanding any judgment in a currency other than the specified currency, be discharged only to the extent that on the Business Day following receipt by such Credit Party of any sum adjudged to be so due in such other currency such Credit Party may in accordance with normal, reasonable banking procedures purchase the specified currency with such other currency. If the amount of the specified currency so purchased is less than the sum originally due to such Credit Party in the specified currency, the applicable Borrower agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify such Credit Party against such loss, and if the amount of the specified currency so purchased exceeds (a) the sum originally due to any Credit Party in the specified currency and (b) any amounts shared with other Lenders as a result of allocations of such excess as a disproportionate payment to such Lender under Section 2.18, such Credit Party agrees to remit such excess to such Borrower.

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SECTION 2.23 Designated Borrowers.

(a) Effective as of the date hereof, each Subsidiary identified on Schedule 2.23 shall be a Designated Borrower hereunder and may receive Revolving Loans for its account on the terms and conditions set forth in this Agreement.

(b) The Company may at any time, upon not less than fifteen (15) Business Days' notice from the Company to the Administrative Agent (or such shorter period as may be agreed by the Administrative Agent in its sole discretion), designate any additional wholly owned Subsidiary of the Company (an "**Applicant Borrower**") as a Designated Borrower to receive Revolving Loans hereunder by delivering to the Administrative Agent (which shall promptly deliver counterparts thereof to each Lender) a duly executed notice and agreement in substantially the form of Exhibit C (a "**Designated Borrower Request and Assumption Agreement**"). The parties hereto acknowledge and agree that prior to any Applicant Borrower becoming entitled to utilize the credit facilities provided for herein the Administrative Agent and the Lenders shall have received such supporting resolutions, incumbency certificates, opinions of counsel and other documents or information, in form, content and scope reasonably satisfactory to the Administrative Agent, as may be required by the Administrative Agent or the Required Lenders in their reasonable discretion, and promissory notes signed by such new Borrowers to the extent any Lenders so require. If the Administrative Agent and the Required Lenders agree that the foregoing conditions have been satisfied, then promptly following receipt of all such requested resolutions, incumbency certificates, opinions of counsel and other documents or information, the Administrative Agent shall send a notice in substantially the form of Exhibit D (a "**Designated Borrower Notice**") to the Company and the Lenders specifying the effective date upon which the Applicant Borrower shall constitute a Designated Borrower for purposes hereof, whereupon each of the Lenders agrees to permit such Designated Borrower to receive Revolving Loans hereunder, on the terms and conditions set forth herein, and each of the parties agrees that such Designated Borrower otherwise shall be a Borrower for all purposes of this Agreement; provided that no Borrowing Request may be submitted on behalf of such Designated Borrower until the date that is five (5) Business Days after such effective date.

(c) The Obligations of the Company and each Designated Borrower that is a Domestic Subsidiary shall be joint and several in nature regardless of which Borrower actually borrows Revolving Loans hereunder or the amount of such Revolving Loans borrowed or the manner in which the Administrative Agent or any Lender accounts for such Revolving Loans on its books and records. The Obligations of all Designated Borrowers that are Foreign Subsidiaries shall be several in nature.

(d) Each Subsidiary that is or becomes a Designated Borrower pursuant to this Section 2.23 hereby irrevocably appoints the Company as its agent for all purposes relevant to the Loan Documents, including (i) the giving and receipt of notices, (ii) the execution and delivery of all documents, instruments and certificates contemplated herein and all modifications hereto, and (iii) the receipt of the proceeds of any Revolving Loans made by the Lenders to any such Designated Borrower hereunder. Any acknowledgment, consent, direction, certification or other action which might otherwise be valid or effective only if given or taken by all Borrowers, or by each Borrower acting singly, shall be valid and effective if given or taken only by the Company, whether or not any such other Borrower joins therein. Any notice, demand, consent,



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acknowledgement, direction, certification or other communication delivered to the Company in accordance with the terms of this Agreement shall be deemed to have been delivered to each Designated Borrower.

(e) The Company may from time to time, upon not less than fifteen (15) Business Days' notice from the Company to the Administrative Agent (or such shorter period as may be agreed by the Administrative Agent in its sole discretion), terminate a Designated Borrower's status as such, provided that there are no outstanding Revolving Loans payable by such Designated Borrower, or other amounts payable by such Designated Borrower on account of any Revolving Loans made to it, as of the effective date of such termination. The Administrative Agent will promptly notify the Lenders of any such termination of a Designated Borrower's status.

(f) If the selection of a particular Designated Borrower results (or is reasonably anticipated to result) in amounts becoming payable under Section 2.17, the Company may make a written request to the Administrative Agent for an amendment to this Agreement that would create a separate tranche of Lenders to provide credit to such Designated Borrower in a manner that would eliminate or minimize amounts payable under Section 2.17. The Administrative Agent and the Lenders agree to consider such amendment request in good faith. The Company hereby agrees to pay (or to cause the applicable Designated Borrower to pay) all reasonable costs and expenses incurred by the Administrative Agent or any Lender in connection with any such amendment.

### ARTICLE III

#### Representations and Warranties

Except as otherwise provided in Section 3.12, each Borrower represents and warrants to the Lenders that:

SECTION 3.01 Organization; Powers. Each Borrower (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (c) is qualified to do business in, and is licensed and in good standing under the laws of, every jurisdiction where such qualification is required; except in each case referred to in clause (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.02 Authorization; Enforceability. The Transactions are within each Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. Each Loan Document has been duly executed and delivered by each Borrower that is a party thereto and constitutes a legal, valid and binding obligation of each such Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights

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generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

**SECTION 3.03 Governmental Approvals; No Conflicts.** The Transactions do not and will not (a) require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any other Person, (b) violate any applicable law, rule or regulation of any Governmental Authority or any Organization Document of any Borrower, and (c) conflict with or result in any material breach or contravention of, or the creation of any material Lien under, or require any material payment to be made under (i) any material Contractual Obligation to which any Borrower is a party or affecting any Borrower or the properties of any Borrower or any of its Subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which any Borrower or the properties of any Borrower or any of its Subsidiaries is subject.

**SECTION 3.04 Financial Condition; No Material Adverse Change.**

(a) The Company has heretofore furnished to the Lenders its consolidated balance sheet and statements of income or operations, shareholders' equity and cash flows (i) as of and for the fiscal year ended September 30, 2010, reported on by Deloitte and Touche LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended June 30, 2011, certified by its Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Company and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since September 30, 2010, there has been no development, event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

**SECTION 3.05 Litigation and Environmental Matters.**

(a) There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrowers after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against the Company or any Subsidiary or against any of their properties or revenues that (i) except as described in the Company's 2010 Form 10-K or any subsequent Form 10-Q or Form 8-K filing prior to the Effective Date (the "**Disclosed Litigation**"), could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, or (ii) purport to affect or pertain to any Loan Document or the Transactions.

(b) The Company and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof the Borrowers have reasonably concluded that, except for the Disclosed Litigation, violation of such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

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SECTION 3.06 Compliance with Laws and Agreements; No Default.

(a) Each of the Borrowers and Significant Subsidiaries is in compliance with the requirements of all laws, rules and regulations and orders, writs and decrees of any Governmental Authority applicable to it or its properties, except to the extent that (i) failure to comply therewith could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect and (ii) such requirement is being contested in good faith by appropriate proceedings diligently conducted. Each Borrower is in compliance with all material Contractual Obligations to which such Borrower is a party or affecting such Borrower or the properties of such Borrower or any of its Subsidiaries, except to the extent that failure to comply therewith could not reasonably be expected to result in a Material Adverse Effect.

(b) No Default has occurred and is continuing or would result from the consummation of the Transactions.

SECTION 3.07 Investment Company Status; Margin Regulations.

(a) Neither the Company, nor any Person Controlling the Company nor any Subsidiary is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

(b) No Borrower is engaged or will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U of the Board), or extending credit for the purpose of purchasing or carrying margin stock.

SECTION 3.08 Taxes. Each of the Borrowers and Significant Subsidiaries has timely filed or caused to be filed all federal, state and other material Tax returns and reports required to have been filed and have paid or caused to be paid all federal, state and other material Taxes required to have been paid by it, except Taxes that are being contested in good faith by appropriate proceedings diligently conducted and for which such Borrower or such Significant Subsidiary, as applicable, has set aside on its books adequate reserves. There is no proposed Tax assessment against any Borrower or any Subsidiary that would, if made, have a Material Adverse Effect. Neither any Borrower nor any Subsidiary is party to any tax sharing agreement.

SECTION 3.09 ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan by an amount that could reasonably be expected to result in a Material Adverse Effect, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets

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of all such underfunded Plans by an amount that could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10 Disclosure. All information heretofore furnished by the Borrowers to the Administrative Agent or any Lender for purposes of or in connection with the Loan Documents or the Transactions is, and all such information hereafter furnished by the Borrowers to the Administrative Agent or any Lender will be, true and accurate in all material respects on the date as of which such information is stated or certified. The Borrowers have disclosed to the Lenders in writing any and all facts known to the Borrowers' management which could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11 Subsidiaries. Each Significant Subsidiary (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to own or lease its assets and carry on its business, except in each case referred to in this clause (b) to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.12 Representations as to Foreign Obligors. Each of the Company and each Foreign Obligor represents and warrants to the Lenders that:

(a) Such Foreign Obligor is subject to civil and commercial laws, rules and regulations with respect to its obligations under the Loan Documents to which it is a party (collectively, the "**Applicable Foreign Obligor Documents**"), and the execution, delivery and performance by such Foreign Obligor of the Applicable Foreign Obligor Documents constitute and will constitute private and commercial acts and not public or governmental acts. Neither any Foreign Obligor nor any of its property has any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under the laws of the jurisdiction in which such Foreign Obligor is organized and existing in respect of its obligations under the Applicable Foreign Obligor Documents.

(b) The Applicable Foreign Obligor Documents are in proper legal form under the laws, rules and regulations of the jurisdiction in which such Foreign Obligor is organized and existing for the enforcement thereof against such Foreign Obligor under the laws, rules and regulations of such jurisdiction, and to ensure the legality, validity, enforceability, priority or admissibility in evidence of the Applicable Foreign Obligor Documents. It is not necessary to ensure the legality, validity, enforceability, priority or admissibility in evidence of the Applicable Foreign Obligor Documents that the Applicable Foreign Obligor Documents be filed, registered or recorded with, or executed or notarized before, any court or other authority in the jurisdiction in which any Foreign Obligor is organized and existing or that any registration charge or stamp or similar tax be paid on or in respect of the Applicable Foreign Obligor Documents or any other document, except for (i) any such filing, registration, recording, execution or notarization as has been made or is not required to be made until the Applicable Foreign Obligor Document or any other document is sought to be enforced and (ii) any charge or tax as has been timely paid.

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(c) There is no Tax imposed by any Governmental Authority in or of the jurisdiction in which such Foreign Obligor is organized and existing either (i) on or by virtue of the execution or delivery of the Applicable Foreign Obligor Documents or (ii) on any payment to be made by such Foreign Obligor pursuant to the Applicable Foreign Obligor Documents, except as has been disclosed to the Administrative Agent.

(d) The execution, delivery and performance of the Applicable Foreign Obligor Documents executed by such Foreign Obligor are, under applicable foreign exchange control regulations of the jurisdiction in which such Foreign Obligor is organized and existing, not subject to any notification or authorization except (i) such as have been made or obtained or (ii) such as cannot be made or obtained until a later date (provided that any notification or authorization described in clause (ii) shall be made or obtained as soon as is reasonably practicable).

SECTION 3.13 Use of Proceeds. The proceeds of the Loans will be used only for the purposes specified in Section 5.08.

SECTION 3.14 OFAC. No Borrower is currently the subject of any Sanctions or is located, organized or residing in any Designated Jurisdiction. To the Borrowers' knowledge, no Loan or other credit extension hereunder, nor the proceeds thereof, has been used, directly or indirectly, to lend to, or otherwise fund, (i) any business in any Designated Jurisdiction or (ii) any business of any Person located, organized or residing in any Designated Jurisdiction or who is the subject of any Sanctions.

## ARTICLE IV

### Conditions

SECTION 4.01 Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.02):

(a) The Administrative Agent (or its counsel) shall have received from each party to the Loan Documents either (i) a counterpart of each Loan Document to which such Person is a party, signed on behalf of such Person or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of each Loan Document to which such Person is a party) that such Person has signed a counterpart of each such Loan Document.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of counsel for the Borrowers covering such matters relating to the Borrowers, the Loan Documents and the Transactions as the Required Lenders shall reasonably request and otherwise in form and substance reasonably satisfactory to the Administrative Agent.

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(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Borrower, the authorization of the Transactions and any other legal matters relating to the Borrowers, the Loan Documents and the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Company, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Administrative Agent and the Lenders shall have received all fees and other amounts due and payable pursuant to this Agreement on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrowers hereunder.

(f) The Administrative Agent shall have received (i) satisfactory audited consolidated financial statements of the Company and its Subsidiaries for the two (2) most recent fiscal years ended prior to the Effective Date and (ii) satisfactory unaudited interim consolidated financial statements of the Company and its Subsidiaries for each quarterly period ended subsequent to the date of the latest financial statements delivered pursuant to the foregoing clause (i) as to which such financial statements are available.

(g) The Administrative Agent and the Lenders shall have received (i) all documentation and other information reasonably requested by the Lenders or the Administrative Agent under applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act, and (ii) such other documents and instruments as are customary for transactions of this type or as they may reasonably request.

(h) The Administrative Agent shall have received evidence that all governmental and third party approvals necessary or, in the reasonable discretion of the Administrative Agent, advisable in connection with the financing contemplated hereby and the continuing operations of the Company and its Subsidiaries shall have been obtained and be in full force and effect.

(i) The Administrative Agent shall have received evidence satisfactory to it that the Existing Credit Agreement has been or concurrently with the Effective Date is being terminated.

The Administrative Agent shall notify the Company and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.02) at or prior to 3:00 p.m., New York City time, on September 30, 2011 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

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SECTION 4.02 Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrowers set forth in the Loan Documents (other than the representations and warranties set forth in Sections 3.04(b), 3.05 and 3.09 with respect to any Borrowing or issuance, amendment, renewal or extension of any Letter of Credit after the Effective Date) shall be true and correct in all material respects (or in all respects if the applicable representation or warranty is already qualified by concepts of materiality) on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrowers on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

SECTION 4.03 Initial Credit Event for each Additional Borrower. The obligation of each Lender to make Loans to any Designated Borrower that becomes a Designated Borrower after the Effective Date is subject to the satisfaction of the following conditions:

(a) The Administrative Agent (or its counsel) shall have received such Designated Borrower's Designated Borrower Request and Assumption Agreement duly executed by all parties thereto.

(b) The Administrative Agent shall have received such documents (including such legal opinions) as the Administrative Agent or its counsel may reasonably request relating to the formation, existence and good standing of such Designated Borrower, the authorization of the Transactions insofar as they relate to such Designated Borrower and any other legal matters relating to such Designated Borrower, its Designated Borrower Request and Assumption Agreement or such Transactions, including, with respect to any Designated Borrower organized under the laws of any jurisdiction outside of the United States of America, a legal opinion from such Designated Borrower's counsel in such jurisdiction, all in form and substance satisfactory to the Administrative Agent and its counsel.

(c) The Administrative Agent and the Lenders shall have received all documentation and other information reasonably requested by the Lenders or the Administrative Agent under applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act.

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## ARTICLE V

### Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated or been cash collateralized or otherwise secured on terms and conditions reasonably satisfactory to the Issuing Bank, in each case, without any pending draw, and all LC Disbursements shall have been reimbursed, the Company (with respect to the covenants set forth in Sections 5.01 and 5.02) and each Borrower (with respect to all other covenants set forth in this Article V) covenants and agrees with the Lenders that:

**SECTION 5.01 Financial Statements and Other Information.** The Company will furnish to the Administrative Agent and each Lender:

(a) within seven (7) Business Days following the date such information is filed with the SEC, and in any event not later than ninety-seven (97) days after the end of each fiscal year of the Company, its audited consolidated balance sheet and related statements of income or operations, shareholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Deloitte & Touche LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP;

(b) within seven (7) Business Days following the date such information is filed with the SEC, and in any event not later than fifty-two (52) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Company, its consolidated balance sheet and related statements of income or operations, shareholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a duly completed Compliance Certificate signed by a Financial Officer of the Company;

(d) promptly after the same become available, copies of all periodic and other reports, proxy statements and other materials filed by the Company or any Subsidiary with the SEC or with any national securities exchange, or distributed by the Company to its shareholders generally, as the case may be;



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(e) promptly, and in any event within seven (7) Business Days after receipt thereof by the Company or any Subsidiary, copies of each notice or other correspondence received from the SEC (or comparable agency in any applicable foreign jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of the Company or any Subsidiary; and

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Company or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may reasonably request.

Documents required to be delivered pursuant to clauses (a), (b) or (d) of this Section (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Company posts such documents, or provides a link thereto on the Company's website on the Internet; or (ii) on which such documents are posted on the Company's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (x) the Company shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Company to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (y) the Company shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. The Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

SECTION 5.02 Notices of Material Events. The Company will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the occurrence of any ERISA Event (other than an ERISA Event under any of clauses (j), (l) or (m) of the definition thereof that could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect);

(c) any material change in accounting policies or financial reporting practices by the Company or any Subsidiary not otherwise reported in the Company's SEC filings;

(d) any published announcement by Moody's or S&P of any change or possible change in the rating established or deemed to have been established for the Index Debt; and

(e) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary; (ii) any dispute, litigation,

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investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority; and (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary, including pursuant to any applicable Environmental Laws.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Company setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03 Existence; Conduct of Business. It will, and will cause each of its Subsidiaries to, (a) preserve, renew and keep in full force and effect its legal existence, (b) preserve, renew and keep in full force and effect its good standing under the laws of the jurisdiction of its organization except as permitted under Section 6.02, (c) take all reasonable action to maintain all rights, licenses, permits, privileges and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (d) preserve and renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation, sale, liquidation or dissolution permitted under Section 6.02.

SECTION 5.04 Payment of Obligations. It will, and will cause each of its Subsidiaries to, pay its material obligations and liabilities, including (a) all Tax liabilities, except where (i) the validity or amount thereof is being contested in good faith by appropriate proceedings diligently conducted and (ii) the Company or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP, (b) all lawful material claims which, if unpaid, would by law become a Lien upon its property (other than Liens permitted by Section 6.01), and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

SECTION 5.05 Maintenance of Properties; Insurance.

(a) It will, and will cause each of its Subsidiaries to, (i) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (ii) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; provided that nothing in Section 5.05(a) shall prevent the Company or any Subsidiary from discontinuing the operations and maintenance of any of its properties or those of its Subsidiaries if such discontinuance is, in the judgment of the Company or such Subsidiary, desirable in the conduct of its or their business and which do not in the aggregate cause a Material Adverse Effect. Except as provided above, the Borrowers shall maintain direct ownership of the majority of the tangible and intangible assets employed in connection with the Borrowers' United States domestic carbon black business.

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(b) It will, and will cause each of its Significant Subsidiaries to, maintain, with financially sound and reputable insurance companies that are not Affiliates of the Company, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses.

SECTION 5.06 Books and Records; Inspection Rights.

(a) It will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries in conformity with GAAP are made of all financial dealings and transactions in relation to its business and activities.

(b) It will, and will cause each of its Subsidiaries to, permit any representatives and independent contractors designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and accounts with its directors, officers and independent accountants, all at the expense of the Company and at such reasonable times during normal business hours and not more than once each fiscal year; provided that if an Event of Default has occurred and is continuing, such representatives and independent contractors may do any of the foregoing at the expense of the Company at any time during normal business hours and without prior notice.

SECTION 5.07 Compliance with Laws. It will, and will cause each of its Subsidiaries to, comply with all laws, rules and regulations and orders, injunctions, writs and decrees of any Governmental Authority applicable to it or its property, except where (a) the failure to do so could not reasonably be expected to result in a Material Adverse Effect and (b) the requirement to do so is being contested in good faith by appropriate proceedings diligently conducted.

SECTION 5.08 Use of Proceeds. The proceeds of the Loans will be used only for general corporate purposes of the Company and its Subsidiaries in the ordinary course of business, including Permitted Acquisitions.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated or been cash collateralized or otherwise secured on terms and conditions reasonably satisfactory to the Issuing Bank, in each case, without any pending draw, and all LC Disbursements shall have been reimbursed, each Borrower covenants and agrees with the Lenders that:

SECTION 6.01 Liens. It will not, and will not permit any of its Subsidiaries to, create, incur, assume or permit to exist any Lien on any property, asset or revenue now owned or hereafter acquired by it, except:

(a) Permitted Encumbrances;

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(b) Liens on any property or asset of the Company or any Subsidiary existing on the date hereof and set forth in Schedule 6.01; provided that (i) such Lien shall not apply to any other property or asset of the Company or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien existing on any property or asset of a Person prior to the acquisition thereof by the Company or any Subsidiary or prior to merger or consolidation of such Person into the Company or any Subsidiary, or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that, in each case, (i) such Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Company or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may;

(d) Liens securing purchase money Indebtedness; provided that (i) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (ii) the Indebtedness secured thereby does not exceed the cost or fair market value, whichever is lower, of the property being acquired on the date of acquisition;

(e) any interest of title of a lessor under, and Liens arising from UCC financing statements (or equivalent filings, registrations or agreements in foreign jurisdictions) relating to, leases permitted by this Agreement;

(f) leases or subleases granted to others not interfering in any material respect with the business of the Company or any Subsidiary;

(g) Liens created or deemed to exist in connection with a Securitization Transaction (including any related filings of any UCC financing statements (or equivalent filings, registrations or agreements in foreign jurisdictions)) securing Indebtedness in an aggregate amount not to exceed \$200,000,000 during the term of this Agreement, but only to the extent that any such Lien relates to the applicable property actually sold, contributed, financed or otherwise conveyed or pledged pursuant to such transaction;

(h) normal and customary rights of setoff upon deposits of cash in favor of banks or other depository institutions;

(i) Liens on commodities subject to any arrangement permitted under Section 6.03;

(j) Liens securing Indebtedness (for working capital purposes) of any Foreign Subsidiary, but only to the extent that any such Lien relates to the property or assets of such Foreign Subsidiary;

(k) Liens arising pursuant to any Swap Agreement;

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(l) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses of this Section, provided that such Indebtedness is not increased and is not secured by any additional assets;

(m) Liens arising in the ordinary course of business that (i) do not secure Indebtedness, (ii) do not secure any single obligation exceeding \$50,000,000 and (iii) do not in the aggregate materially detract from the value of the assets of the Company or any Subsidiary or materially impair the use thereof in the operation of its business;

(n) Liens on cash collateral created hereunder in favor of any Credit Party; and

(o) Liens not otherwise permitted by the foregoing clauses of this Section securing Indebtedness in an aggregate principal amount at any time outstanding not to exceed ten percent (10%) of Consolidated Tangible Net Worth.

SECTION 6.02 Fundamental Changes. It will not, and will not permit any of its Subsidiaries to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the Equity Interests of any Subsidiary (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing:

(a) any Subsidiary (i) may merge with the Company, provided that the Company shall be the continuing or surviving Person, (ii) may merge with any Designated Borrower, provided that such Designated Borrower shall be the continuing or surviving Person, or (iii) that is not a Borrower may merge with or into any other Subsidiary that is not a Borrower;

(b) any Subsidiary may sell, transfer, lease or otherwise dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Company or to another Subsidiary; provided that if the transferor in such a transaction is a Borrower, then the transferee must be a Borrower;

(c) the Company may sell, transfer, lease or otherwise dispose of its assets, or any Subsidiary may sell, transfer, lease or otherwise dispose of all or substantially all of its assets, so long as the aggregate net book value of all such assets sold, transferred, leased or otherwise disposed of by the Company and its Subsidiaries in all transactions occurring from and after the date of this Agreement shall not exceed an amount equal to twenty-five percent (25%) of Consolidated Total Tangible Assets, measured as the sum of the percentages for each such transaction, in each case based upon the Consolidated Total Tangible Assets as of the end of the most recently completed fiscal year prior to the applicable sale, transfer, lease or other disposition; and

(d) the Company may sell its supermetals business to Global Advanced Metals Pty. Ltd. as described in the Company's report on Form 8-K dated August 25, 2011.

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SECTION 6.03 Investments, Loans, Advances, Guarantees and Acquisitions. It will not, and will not permit any of its Subsidiaries to, make any Investment where the aggregate consideration for such Investment exceeds \$100,000,000, other than Permitted Investments and Permitted Acquisitions.

SECTION 6.04 Transactions with Affiliates. It will not, and will not permit any of its Subsidiaries to, enter into any transaction of any kind with any Affiliate of the Company, whether or not in the ordinary course of business, other than (a) reasonable and customary fees paid to members of the board of directors of the Company and its Subsidiaries, (b) transactions otherwise expressly permitted hereunder between the Company or any Subsidiary and any such Affiliate or (c) on fair and reasonable terms substantially as favorable to the Company or such Subsidiary as would be obtainable by the Company or such Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate.

SECTION 6.05 Financial Covenants.

(a) It will not permit the Consolidated Leverage Ratio as of the last day of any Reference Period to be greater than 3.50:1.00.

(b) It will not permit, at any time, the aggregate Indebtedness of all Subsidiaries (excluding Indebtedness of a Subsidiary owing to a Borrower or to another Subsidiary) to exceed 30% of Total Capitalization.

(c) It will not permit the Consolidated Interest Coverage Ratio as of the last day of any Reference Period to be less than 3:00:1.00.

SECTION 6.06 Organization Documents. It will not, and will not permit any of its Subsidiaries to, amend, modify or change its Organization Documents in any manner which could materially adversely affect the rights of the Credit Parties under the Loan Documents.

SECTION 6.07 Use of Proceeds. It will not, and will not permit any of its Subsidiaries to, use any part of the proceeds of any Loan to be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of any of the Regulations of the Board (including Regulations T, U and X), including to purchase or carry margin stock (within the meaning of Regulation U) other than stock of the Company or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

## ARTICLE VII

### Events of Default

If any of the following events ("*Events of Default*") shall occur:

(a) any Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or otherwise;

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(b) any Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five (5) days;

(c) any representation or warranty made or deemed made by or on behalf of the Company or any Subsidiary in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, shall prove to have been incorrect in any material respect (or in any respect if such representation or warranty is already qualified by concepts of materiality) when made or deemed made;

(d) (i) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.03(a), 5.06(b) or 5.08 or in Article VI, or (ii) the Company shall fail to observe or perform any covenant, condition or agreement contained in Section 5.01 or 5.02 and such failure shall continue unremedied for a period of five (5) Business Days after the earlier of any of the chief executive officer, president or any Financial Officer of the Company becoming aware of such failure or notice thereof by the Administrative Agent;

(e) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of thirty (30) days after written notice from the Administrative Agent;

(f) the Company or any Significant Subsidiary (i) shall fail to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) in respect of any Indebtedness or Guarantee having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$50,000,000, or (ii) shall fail to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$50,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any Borrower or any Significant Subsidiary or its debts, or of a substantial part of its assets, under any Federal,

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state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Significant Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed or unstayed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) any Borrower or any Significant Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (g) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Significant Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(i) any Borrower or any Significant Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(j) one or more final judgments for the payment of money in an aggregate amount in excess of \$50,000,000 (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) shall be rendered against any Borrower or any Subsidiary and (i) the same shall remain undischarged for a period of ten (10) consecutive days during which execution shall not be effectively stayed by reason or pending appeal or otherwise, or (ii) any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Borrower or any Subsidiary to enforce any such judgment;

(k) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of the Company and its Subsidiaries in an aggregate amount exceeding \$50,000,000 from and after the Effective Date;

(l) a Change in Control shall occur; or

(m) any material provisions of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or satisfaction in full of all the Obligations, shall cease to be in full force and effect; or any Borrower or any other Person shall contest in any manner the validity or enforceability of any material provision of any Loan Document; or any Borrower shall deny that it has any or further liability or obligation under any material provisions of any Loan Document, or shall purport to revoke, terminate or rescind any material provision of any Loan Document;

then, and in every such event (other than an event with respect to any Borrower described in clause (g) or (h) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the written request of the Required Lenders shall, by notice to the Company, take either or both of the following actions, at the same or different



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times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations of the Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers; and in case of any event with respect to any Borrower described in clause (g) or (h) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other Obligations of the Borrowers accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers.

## ARTICLE VIII

### The Administrative Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

Any Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any Subsidiary that is communicated to or obtained by the Person serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Company or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii)

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the contents of any certificate, report or other document delivered under any Loan Document or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Company. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Company, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Company to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

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Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into the Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon the Loan Documents, any related agreement or any document furnished thereunder.

## ARTICLE IX

### Guaranty

In order to induce the Lenders to extend credit to the Designated Borrowers hereunder, the Company hereby irrevocably and unconditionally guarantees, as a primary obligor and not merely as a surety, the payment when and as due of the Obligations of the Designated Borrowers. The Company further agrees that the due and punctual payment of such Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee hereunder notwithstanding any such extension or renewal of any such Obligation.

The Company waives presentment to, demand of payment from and protest to any Designated Borrower of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of the Company hereunder shall not be affected by (a) the failure of any Credit Party to assert any claim or demand or to enforce any right or remedy against any Borrower under the provisions of any Loan Document or otherwise, (b) any extension or renewal of any of the Obligations, (c) any rescission, waiver, amendment or modification of, or release from, any of the terms or provisions of any Loan Document or any other agreement, (d) any default, failure or delay, willful or otherwise, in the performance of any of the Obligations, (e) any amendment or waiver of any of the Obligations, (f) any law or regulation of any jurisdiction or any other event affecting any term of the Obligations, or (g) to the fullest extent permitted by applicable law, any other act, omission or delay to do any other act which may or might in any manner or to any extent vary the risk of the Company or otherwise operate as a discharge of a guarantor as a matter of law or equity or which would impair or eliminate any right of the Company to subrogation.

The Company further agrees that its agreement hereunder constitutes a guarantee of payment when due (whether or not any bankruptcy or similar proceeding shall have stayed the accrual or collection of any of the Obligations or operated as a discharge thereof) and not merely of collection, and, to the fullest extent permitted by applicable law, waives any right to require that any resort be had by any Credit Party to any balance of any deposit account or credit on the books of any Credit Party in favor of any Borrower or any other Person.

The obligations of the Company hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full of all the Obligations), and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability

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of any of the Obligations, any impossibility in the performance of any of the Obligations or otherwise (other than for the indefeasible payment in full of all the Obligations), in each case, to the fullest extent permitted by applicable law.

The Company further agrees that its obligations hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Credit Party upon the bankruptcy or reorganization of any Borrower or otherwise.

In furtherance of the foregoing and not in limitation of any other right which any Credit Party may have at law or in equity against the Company by virtue hereof, upon the failure of any Designated Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Company hereby promises to and will, upon receipt of written demand by any Credit Party, forthwith pay, or cause to be paid, to such Credit Party in cash an amount equal to the unpaid principal amount of such Obligations then due, together with accrued and unpaid interest thereon. The Company further agrees that if payment in respect of any Obligation shall be due in a Foreign Currency and/or at a place of payment other than New York and if, by reason of any Change in Law, disruption of currency or foreign exchange markets, war or civil disturbance or other event, payment of such Obligation in such currency or at such place of payment shall be impossible or, in the reasonable judgment of any Credit Party, not consistent with the protection of its rights or interests, then, at the election of the Administrative Agent, the Company shall make payment of such Obligation in U.S. Dollars (based upon the applicable Exchange Rate in effect on the date of payment) and/or in New York, and shall indemnify the Credit Parties against any losses or reasonable out-of-pocket expenses that it shall sustain as a result of such alternative payment.

Upon payment by the Company of any sums as provided above, all rights of the Company against any Designated Borrower arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Obligations.

The parties hereto agree that, notwithstanding anything to the contrary contained herein, neither the Company nor any of its Subsidiaries shall be required to provide any guarantee, pledge, or asset support arrangement that would result in any adverse tax consequences due to the application of Section 956 of the Code.

## ARTICLE X

### Miscellaneous

#### SECTION 10.01 Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

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- (i) if to any Borrower, to the Company at Cabot Corporation, Two Seaport Lane, Boston, Massachusetts 02210-2019, Attention of Steven J. Delahunt (Telecopy No. (617) 342-6208);
  - (ii) if to the Administrative Agent, (A) in the case of Borrowings denominated in U.S. Dollars, to JPMorgan Chase Bank, Loan and Agency Services Group, 10 South Dearborn, 7th Floor, Chicago, Illinois 60603-2003, Attention of Joyce King (Telecopy No. (888) 292-9533), and (B) in the case of Borrowings denominated in Foreign Currencies, to J.P. Morgan Europe Limited, 125 London Wall, Floor 09, London EC2Y 5AJ, United Kingdom, Attention of Manager: Loan Agency (Telecopy No. 44 207 777 2360);
  - (iii) if to the Issuing Bank, to it at JPMorgan Chase Bank, Loan and Agency Services Group, 10 South Dearborn, 7th Floor, Chicago, Illinois 60603-2003, Attention of Debra Williams (Telecopy No. (312) 385-7098);
  - (iv) if to the Swingline Lender, to it at JPMorgan Chase Bank, Loan and Agency Services Group, 10 South Dearborn, 7th Floor, Chicago, Illinois 60603-2003, Attention of Joyce King (Telecopy No. (888) 292-9533); and
  - (v) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Company may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

#### SECTION 10.02 Waivers; Amendments.

(a) No failure or delay by any Credit Party in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Credit Parties hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such

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waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether any Credit Party may have had notice or knowledge of such Default at the time.

(b) Except as provided in Section 2.21 with respect to an Incremental Term Loan Amendment, neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers and the Required Lenders or by the Borrowers and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender (it being understood and agreed that a waiver of any condition precedent set forth in Section 4.02 or of any Default is not considered an increase in Commitments of any Lender), (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, provided, however, that only the consent of the Required Lenders shall be necessary to amend the provisions with respect to the application of default rate interest described in Section 2.13(c) and the last paragraph of Article VII or waive any obligation of any Borrower to pay interest or fees at such default rate, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment (in each case excluding, for the avoidance of doubt, mandatory prepayments under Section 2.11(c)), or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) release the Company from its obligations under the Loan Documents without the written consent of each Lender, or (vi) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender (it being understood that, solely with the consent of the parties to an Incremental Term Loan Amendment, Incremental Term Loans may be included in the determination of Required Lenders on substantially the same basis as the Commitments and the Revolving Loans are included on the Effective Date); provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be.

#### SECTION 10.03 Expenses; Indemnity; Damage Waiver.

(a) The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents and any amendments or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable

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out-of-pocket expenses incurred by the Credit Parties, including the reasonable fees, charges and disbursements of one counsel for any Administrative Agent and one counsel for all other Credit Parties, in connection with the enforcement or protection of their rights in connection with any Loan Document, including their rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Company shall indemnify each Credit Party and its Related Parties (each such Person being called an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of the Loan Documents or any agreement or instrument contemplated thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Company or any Subsidiary, or any Environmental Liability related in any way to the Company or any Subsidiary, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of, or intentional material breach of its obligations by, such Indemnitee. This Section 10.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses or damages arising from any non-Tax claim.

(c) To the extent that the Company fails to pay any amount required to be paid by it to the Administrative Agent, the Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Issuing Bank or the Swingline Lender in its capacity as such.

(d) To the extent permitted by applicable law, no Borrower shall assert, and each Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, any Loan Document or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

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(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 10.04 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Credit Parties) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more Persons (other than an Ineligible Assignee) all or a portion of its rights and obligations under the Loan Documents (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Company, provided that, the Company shall be deemed to have consented to an assignment unless it shall have objected thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof; provided further that no consent of the Company shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment to a Lender or an Affiliate of a Lender; and

(C) the Issuing Bank.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund, or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Company and the Administrative Agent



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otherwise consent, provided that no such consent of the Company shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under the Loan Documents;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500;

(D) the assignee shall deliver to the Administrative Agent, Withholding Agent and/or Company, as applicable, any documentation required by Section 2.17(f); and

(E) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Borrowers and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under the Loan Documents (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under the Loan Documents, such Lender shall cease to be a party thereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under the Loan Documents that does not comply with this Section 10.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount (and stated interest) of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive absent

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manifest error, and the Borrowers and the Credit Parties shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

- (v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, any documentation required by Section 2.17(f), the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) Any Lender may, without the consent of any Borrower, the Administrative Agent, the Issuing Bank or the Swingline Lender, sell participations to one or more banks or other entities (a "**Participant**"), other than an Ineligible Assignee, in all or a portion of such Lender's rights and obligations under the Loan Documents (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under the Loan Documents shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrowers, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Each Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 (subject to the requirements and limitations therein, including the requirements under Section 2.17(f) (it being understood that the documentation required under Section 2.17(f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Sections 2.18 and 2.19 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater

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payment under Sections 2.15 or 2.17, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "**Participant Register**"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, Letters of Credit or its other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under the Loan Documents to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

**SECTION 10.05 Survival.** All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments delivered in connection with or pursuant to any Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Credit Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration, termination, cash collateralization or other securing of the Letters of Credit, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

**SECTION 10.06 Counterparts; Integration; Effectiveness.** This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees

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payable to the Administrative Agent or the Issuing Bank constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.07 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final and in whatever currency denominated) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Borrower against any of and all the Obligations of such Borrower now or hereafter existing held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmaturred. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.09 Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County, Borough of Manhattan and of the United States District Court for the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Credit Party may otherwise have to

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bring any action or proceeding relating to this Agreement against any Borrower or its properties in the courts of any jurisdiction.

(c) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by applicable law.

(e) Without limiting the foregoing, each Designated Borrower hereby irrevocably designates the Company, at its address set forth in Section 10.01, as the designee, appointee and agent of such Designated Borrower to receive, for and on behalf of such Designated Borrower, service of process in such respective jurisdictions in any legal action or proceeding with respect to this Agreement or any other Loan Document.

**SECTION 10.10 WAIVER OF JURY TRIAL.** EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

**SECTION 10.11 Headings.** Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

**SECTION 10.12 Confidentiality.**

(a) Each Credit Party agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this

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Agreement, (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section, to (A) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (B) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations, (vii) with the consent of the Company or (viii) to the extent such Information (A) becomes publicly available other than as a result of a breach of this Section or (B) becomes available to any Credit Party on a nonconfidential basis from a source other than any Borrower. For the purposes of this Section, "**Information**" means all information received from any Borrower relating to such Borrower or its business, other than any such information that is available to any Credit Party on a nonconfidential basis prior to disclosure by such Borrower; provided that, in the case of information received from such Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

**(b) EACH LENDER ACKNOWLEDGES THAT INFORMATION AS DEFINED IN SECTION 10.12(a) FURNISHED TO IT PURSUANT TO THIS AGREEMENT MAY INCLUDE MATERIAL NON-PUBLIC INFORMATION CONCERNING THE BORROWERS AND THEIR RELATED PARTIES OR THEIR RESPECTIVE SECURITIES, AND CONFIRMS THAT IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MATERIAL NON-PUBLIC INFORMATION AND THAT IT WILL HANDLE SUCH MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH THOSE PROCEDURES AND APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS.**

**(c) ALL INFORMATION, INCLUDING REQUESTS FOR WAIVERS AND AMENDMENTS, FURNISHED BY THE BORROWERS OR THE ADMINISTRATIVE AGENT PURSUANT TO, OR IN THE COURSE OF ADMINISTERING, THIS AGREEMENT WILL BE SYNDICATE-LEVEL INFORMATION, WHICH MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION ABOUT THE BORROWERS AND THEIR RELATED PARTIES OR THEIR RESPECTIVE SECURITIES. ACCORDINGLY, EACH LENDER REPRESENTS TO THE BORROWERS AND THE ADMINISTRATIVE AGENT THAT IT HAS IDENTIFIED IN ITS ADMINISTRATIVE QUESTIONNAIRE A CREDIT CONTACT WHO MAY RECEIVE INFORMATION THAT MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH ITS COMPLIANCE PROCEDURES AND APPLICABLE LAW.**

SECTION 10.13 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "**Charges**"), shall exceed the maximum lawful rate (the "**Maximum Rate**") which may be contracted for, charged, taken, received or reserved by the Lender holding

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such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 10.14 USA PATRIOT Act. Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "**Act**") hereby notifies the Borrowers that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies the Borrowers, which information includes the names and addresses of the Borrowers and other information that will allow such Lender to identify the Borrowers in accordance with the Act.

*[Signature Pages Follow]*

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

**CABOT CORPORATION, as the Company and a Borrower**

By: /s/ Patrick M. Prevost

Name: Patrick M. Prevost

Title: President and Chief Executive Officer

**JPMORGAN CHASE BANK, N.A., as Administrative Agent, Issuing Bank and a Lender**

By: /s/ D. Scott Farquhar

Name: D. Scott Farquhar

Title: SrVP & Credit Executive

**Citibank, N.A., as a Lender**

By: /s/ Shannon Sweeney

Name: Shannon Sweeney

Title: Vice President

**Bank of America, N.A., as a Lender**

By: /s/ Christopher S. Allen

Name: Christopher S. Allen

Title: Senior Vice President

**Bank of America, N.A., as an LC Issuer**

By: /s/ Christopher S. Allen

Name: Christopher S. Allen

Title: Senior Vice President



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**Mizuho Corporate Bank, Ltd. as a Lender**

By: /s/ Leon Mo  
Name: Leon Mo  
Title: Authorized Signatory

**HSBC Bank, USA, N.A., as a Lender**

By: /s/ Elise M. Russo  
Name: Elise M. Russo  
Title: Global Relationship Manager

**TD BANK, NA., as a Lender**

By: /s/ Alan Garson  
Name: Alan Garson  
Title: Executive Director

**Goldman Sachs Bank USA, as a Lender**

By: /s/ Rebecca Kratz  
Name: Rebecca Kratz  
Title: Authorized Signatory

**RBS CITIZENS, N.A., as a Lender**

By: /s/ Stephen F. O'Sullivan  
Name: Stephen F. O'Sullivan  
Title: Senior Vice President

**U.S.Bank, N.A., as a Lender**

By: /s/ Michael P. Dickman  
Name: Michael P. Dickman  
Title: Vice President

**BANK OF CHINA, NEW YORK BRANCH, as a Lender**

By: /s/ Shiqiang Wu  
Name: Shiqiang Wu  
Title: General Manager

**SALE AND PURCHASE AGREEMENT**

**by and among**

**Cabot Corporation**

**and**

**GAM International Pty Ltd**

**ACN 152 453 293**

**and**

**Global Advanced Metals Pty Ltd**

**ACN 139 987 465**

**Dated as of August 24, 2011**

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## **SALE AND PURCHASE AGREEMENT**

This Sale and Purchase Agreement (this "Agreement"), dated as of August 24, 2011, is by and among Cabot Corporation, a Delaware corporation ("Seller"), GAM International Pty Ltd, ACN 152 453 293, incorporated in Australia ("Purchaser"), and Global Advanced Metals Pty Ltd, ACN 139 987 465, incorporated in Australia ("Guarantor").

### **WHEREAS:**

A. Seller and Cabot Supermetals K.K., a stock company incorporated pursuant to the Commercial Code of Japan (the "Selling Affiliate"), are engaged in (i) the business of manufacturing and selling tantalum and niobium powder and fabricated products and alloys having a principal component consisting of tantalum or niobium metal and (ii) the development of metal powders suitable for use in capacitor anodes and sputtering targets (collectively, the "Business").

B. Seller desires to sell, transfer and assign to Purchaser (or one or more wholly owned subsidiaries of Purchaser to be identified in accordance with Section 14.08), and Purchaser (either directly or through one or more such wholly owned subsidiaries) desires to acquire and assume from Seller the Purchased Assets and Assumed Liabilities, all on the terms and subject to the conditions set forth in this Agreement.

C. Through the establishment of a Japanese *kabushiki kaisha* (the "Company"), which will be wholly-owned by Selling Affiliate, and processes in accordance with the Corporate Split (as defined below), Selling Affiliate intends to reorganize that part of the Business conducted by it (the "Japan Business") such that the Japan Business, as currently conducted by Selling Affiliate, will be owned and operated by the Company.

D. Seller desires to cause the Selling Affiliate to sell, transfer and assign to Purchaser (or one or more wholly owned subsidiaries of Purchaser to be identified in accordance with Section 14.08) the Japan Business, by transferring all of Selling Affiliate's equity interests in the Company to Purchaser (or one or more such wholly owned subsidiaries) after the reorganization referred to in the preceding paragraph C, all on the terms and conditions hereinafter set forth, and Purchaser (either directly or through one or more such wholly owned subsidiaries) desires to purchase, the Japan Business from the Selling Affiliate by acquiring all of Selling Affiliate's equity interests in the Company, all on the terms and conditions hereinafter set forth.

**NOW THEREFORE**, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth in this Agreement, and upon the terms and subject to the conditions set forth in this Agreement, Purchaser and Seller hereby agree as follows:

## **ARTICLE I**

### **DEFINITIONS**

Section 1.01. Definitions.

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(a) Certain Terms. The following terms, as used in this Agreement, have the following respective meanings:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person. For purposes of this definition, "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Assignment and Assumption Agreement" means an assignment and assumption agreement, dated as of the Closing Date, by and between Purchaser and Seller, in substantially the form attached hereto as Exhibit A.

"Balance Sheet Date" means June 30, 2011.

"Bill of Sale" means a bill of sale, dated as of the Closing Date, executed and delivered by Seller to Purchaser, in substantially the form attached hereto as Exhibit B.

"Boyertown Mortgage" means a mortgage in similar form as attached hereto as Exhibit C, but subject to further review and reasonable comment by Seller and Purchaser between the date hereof and the Closing Date.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banks in New York City, New York, Sydney, Australia or Tokyo, Japan are authorized or obligated by Law or executive order to close.

"Business Employee" means an individual who is currently employed by Seller or the Selling Affiliate and who devotes a majority of his or her business time to the operation of the Business.

"Closing Date" means the date on which the Closing occurs.

"Code" means the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Collective Bargaining Agreements" means the following agreements, as amended from time to time: (a) Agreement dated October 12, 2010 between Seller and the International Chemical Workers Union Council/United Food And Commercial Workers (ICWUC/UFCW), Local 619C and (b) Agreement dated January 13, 2011 between Seller and the International Chemical Workers Union Council/United Food And Commercial Workers, Local 959C.

"Competition Laws" means the Sherman Act, as amended, the Clayton Act, as amended, the Federal Trade Commission Act, as amended, the Antimonopoly Act of Japan, as amended, and any other federal, state or foreign Law designed to prohibit, restrict or regulate actions for the purpose or effect of monopolization or restraint of trade, other than the HSR Act.

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"Contingent Payment Agreement" means a contingent payment agreement, dated as of the Closing Date, in substantially the form attached hereto as Exhibit D.

"Contract" means any contract, lease, indenture, note, bond, agreement or other instrument, in each case, whether written or oral.

"Copyrights" means copyrights in all works of authorship, whether published or unpublished, including copyrights in databases, data collections, Software, web site content or any other copyrightable work; copyrights in compilations, collections, collective works and derivative works of any of the foregoing and moral rights in any of the foregoing; any registration, recording or application for registration for any of the foregoing and any renewals or extensions thereof in the United States Copyright Office or in any similar office or agency of any other country or political subdivision.

"Corporate Split" means the statutory corporate split (*kasha bunkatsu*) to be implemented in accordance with the Corporate Split Agreement.

"Corporate Split Agreement" means the statutory corporate split agreement to be entered into by and between the Selling Affiliate and the Company, through which the Selling Affiliate transfers certain specified assets and liabilities relating to the Japan Business to the Company, substantially in the form attached hereto as Exhibit E.

"Disclosure Schedule" means the disclosure schedule delivered by Seller to Purchaser on the date of the execution and delivery of this Agreement, as the same may be modified or supplemented in accordance herewith.

"Documents" means all files, documents, instruments, papers, books, reports, records, tapes, microfilms, photographs, letters, budgets, forecasts, ledgers, journals, title policies, customer and supplier lists, regulatory filings, operating data and plans, commercial and technical documentation (design specifications, formulae, test reports, functional requirements, operating instructions, logic manuals, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing documentation (sales brochures, flyers, pamphlets, web pages, marketing research, sales statistics, market share statistics, marketing surveys and reports, etc.) and information relating to the supply of materials to the Business, and other similar materials, in each case whether or not in electronic form, relating to the Business; provided that "Documents" shall not include duplicate copies of such Documents retained by Seller or its Affiliates (including the Company before the Closing, hereinafter the same) subject to the obligations relating to the use and disclosure thereof set forth in this Agreement.

"Domain Names" means all Internet domain names registered with or assigned by any domain name registrar, domain name registry or other domain name registration authority and all registrations or applications for any of the foregoing.

"Employee Plan" means (i) each "employee benefit plan," as defined in Section 3(3) of ERISA, (ii) each employment, consulting, employee non-competition, employee non-solicitation, employee loan or other compensation agreement, (iii) each other severance pay, retention, change in control, salary continuation, bonus, incentive, stock option or other equity or

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equity-based award, retirement, pension, profit sharing or deferred compensation plan, contract, program, fund or arrangement and (iv) each other employee benefit plan, contract, program, fund, or arrangement in respect of any Business Employee or former Business Employee that is sponsored or maintained by the Seller or the Selling Affiliate or with respect to the which the Seller or the Selling Affiliate contributes or is required to contribute in connection with the Business, in each case other than the Collective Bargaining Agreements.

"Environment" means the environment, natural resources (including human health, flora and fauna) and any surface, subsurface, or physical medium, including: (i) land surface; (ii) surface water; (iii) groundwater; (iv) subsurface strata; and (v) ambient air, including air within buildings and other man-made structures.

"Environmental Claim" means any Proceeding by any Person alleging Liability (including Liability for investigatory costs, cleanup costs, governmental response costs, natural resource damages, personal injuries, property damage, fines or penalties) for any Losses arising from or relating in any way to any actual or alleged (i) Release or presence of, or exposure to, Hazardous Materials or (ii) noncompliance with, or Liability under, any Environmental Law.

"Environmental Laws" means Laws that relate to (i) the protection, investigation or restoration of the Environment or human health and safety, (ii) the handling, use, management, storage, treatment, transport, disposal, presence or Release of, or exposure to, any Hazardous Materials or (iii) noise, odor or wetlands protection.

"ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"Excess Tantalum Inventory" means Tantalum Inventory of the Business (including all raw materials, ore, work in progress and Products) as of the Closing in excess of 530,000 pounds.

"Excluded Contracts" means the Contracts set forth on Schedule 1.01(a).

"Furniture and Equipment" means all machinery, spare parts, tools, furniture, fixtures, furnishings, equipment, vehicles, leasehold improvements, and other tangible personal property, including all artwork, desks, chairs, tables, Hardware, copiers, telephone lines and numbers, telecopy machines and other telecommunication equipment, cubicles and miscellaneous office furnishings and supplies.

"GAAP" means generally accepted accounting principles in the United States of America.

"GAM Supply Agreement" means a tantalum supply agreement, dated as of the Closing Date, by and between a U.S. subsidiary of Purchaser and Purchaser and/or one or more Affiliates of Purchaser, in a similar form as attached hereto as Exhibit F, but subject to further review and reasonable comment by Seller and Purchaser between the date hereof and the Closing Date.

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"Governmental Authority" means any legislature, administrative body, agency, instrumentality, court, tribunal or other authority of any international, national, federal, state, local or other government or political subdivision thereof.

"Guaranty and Security Agreement" means a guaranty and security agreement, dated as of the Closing Date, in substantially the form attached hereto as Exhibit G.

"Hardware" means any and all computer and computer-related hardware, including, but not limited to, computers, file servers, facsimile servers, scanners, color printers, laser printers and networks.

"Hazardous Materials" means any chemical, material, substance or preparation defined as a "hazardous substance", "toxic substance", "hazardous waste," or "designated hazardous substances" or any other term of similar import under any Environmental Law, and any other chemical, material, substance or preparation that is regulated in any way under any Environmental Law, including petroleum products, constituents and by-products, asbestos and asbestos-containing materials, radiation and radioactive materials and polychlorinated biphenyls.

"HSR Act" means the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indebtedness" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments or which bear interest, (c) all reimbursement obligations with respect to drawn letters of credit, bankers' acceptances, surety bonds and performance bonds, whether or not matured, (d) all guaranty obligations of such Person, (e) all obligations of such Person issued or assumed as the deferred purchase price of property, assets or services (but excluding trade accounts payable arising in the ordinary course of business), (f) any interest rate or currency swap or similar hedging agreement, and (g) any capital lease obligation (as defined by GAAP) of such Person.

"Initial Purchase Price" means the sum of (i) the Closing Cash Consideration, (ii) the amounts payable pursuant to the U.S. Promissory Notes, (iii) the amounts payable pursuant to the Japan Promissory Notes and (iv) the amounts payable pursuant to the Contingent Payment Agreement.

"Intellectual Property" means any and all of the following in any jurisdiction throughout the world, by whatever name or term known or designated: (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice) as well as all improvements thereto, (b) all Patents, (c) all Trademarks, (d) all Copyrights, (e) all rights of publicity, (f) all Trade Secrets, (g) all other intellectual property and proprietary rights recognized in any country or jurisdictions in the world, and (h) all claims and rights in and to all income, royalties, damages, claims, and payments now or hereafter due or payable with respect to any of the foregoing, and in and to all causes of action, either in law or in equity, for past, present or future infringement, misappropriation, violation, dilution, unfair competition or other unauthorized use or conduct in derogation or violation of or based on any of the foregoing rights, and the right to receive all proceeds and damages therefrom, unless not permitted by this Agreement.

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"Intellectual Property Assignment and License Agreement" means an intellectual property assignment and license agreement, dated as of the Closing Date, in substantially the form attached hereto as Exhibit H.

"Intercompany Accounts Receivable" means all accounts or notes receivable by Seller or the Selling Affiliate from any Affiliate.

"Intercompany Accounts Payable" means all accounts or notes payable by Seller or the Selling Affiliate to any Affiliate.

"IRS" means the U.S. Internal Revenue Service.

"Japan Promissory Notes" means two secured promissory notes having principal amounts of \$70,000,000 and \$4,288,322.94, respectively, each dated as of the Closing Date and executed by the Company, in substantially the forms attached hereto as Parts 1 and 2 of Exhibit J.

"Japan Purchaser" means a Japanese subsidiary of Purchaser, which will be a Japanese KK, that purchases the Company at the Closing.

"Japan Security Agreement" means, collectively, security agreements, each dated as of the Closing Date, in similar forms as attached hereto as Exhibit I, but subject to further review and reasonable comment by Seller and Purchaser between the date hereof and the Closing Date.

"Knowledge" means the actual knowledge (which, for the avoidance of doubt, does not include information of which they may be deemed to have only constructive knowledge) after due inquiry of the respective individuals, with respect to Seller, set forth on Schedule 1.01(b), and with respect to Purchaser, set forth on Schedule 1.01(c).

"Law" means any law (including common law), statute, directive, ordinance, rule, regulation, treaty, international convention, judgment, decree, ruling, injunction, order or binding requirement of any Governmental Authority.

"Liability" means any direct or indirect liability, obligation, guaranty, claim, loss, damage, deficiency, cost or expense, whether relating to payment, performance or otherwise, known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not required to be reflected or reserved against on the financial statements of the obligor under GAAP.

"Lien" means, with respect to any property or asset, any lien, mortgage, standard security, pledge, charge, security interest or other encumbrance in respect of such property or asset, other than any Permitted Lien.

"Losses" means (i) any and all direct damages, claims, losses, charges, actions, suits, proceedings, deficiencies, Taxes, interest, penalties and reasonable costs and expenses (including reasonable attorneys' fees) incurred, paid or suffered as a result of an event, occurrence or breach that is the subject of indemnification hereunder or (ii) if and to the extent such direct damages do not adequately compensate an Indemnified Party for all losses incurred, paid or suffered in

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connection with such event, occurrence or breach, all losses that are the expected and foreseeable consequences of such event, occurrence or breach, if and to the extent such can be proved with reasonable certainty based on established facts. "Losses" will in no event include exemplary, punitive or special damages unless such damages are payable to a non-Affiliate third party.

"Material Adverse Effect" means a material adverse effect on the business, operations or condition (financial or otherwise) of (i) the Business, taken as a whole, determined in each case without regard to any facts, circumstances, events or changes to the extent (a) generally affecting the tantalum industry or the segments thereof in which Seller, the Selling Affiliate or the Company operate (including changes to commodity or raw material prices) in the United States or elsewhere, (b) generally affecting the Business's suppliers, (c) generally affecting the economy or the financial, debt, credit or securities markets in the United States or elsewhere, (d) resulting from any political conditions or developments in the United States or elsewhere (e) resulting from any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism (other than any of the foregoing in this clause (e) to the extent that it causes any direct damage or destruction to, or renders physically unusable or inaccessible, any facility or property of Seller, the Selling Affiliate or the Company), (f) reflecting or resulting from changes or proposed changes in Law (including rules and regulations) or interpretation thereof or GAAP (or interpretations thereof), (g) resulting from actions of Seller, the Selling Affiliate or the Company that Purchaser has expressly requested in writing or to which Purchaser has expressly consented in writing or (h) resulting from the announcement of this Agreement and the transactions contemplated hereby (but only to the extent arising out of the identity of or facts relating to Purchaser or the fact that the Business is being sold); provided, however, that in the cases of clauses (a), (b), (c), (d) or (e), such facts, circumstances, events or changes do not disproportionately adversely affect the Business as compared to other similarly situated businesses or (ii) the Company's facility located in Aizu, Japan as a result of the March 2011 earthquake and tsunami.

"Minimum Tantalum Inventory" means 530,000 pounds in aggregate of Tantalum Inventory, including all raw materials, ore, work in progress and Products, comprised of the following:

(b) between 225,000 pounds and 275,000 pounds in aggregate of tantalum ore,  $K_2TaF_7$  and scrap; and

(c) between 252,000 pounds and 308,000 pounds in aggregate of (i) capacitor powder work in progress and finished goods, (ii) mill work in progress, finished goods and scrap and (iii) tantalum trays.

"Minimum Non-Tantalum Inventory" means an amount of Non-Tantalum Inventory which is necessary to operate the Business as currently conducted and as proposed to be conducted following the Closing, and in any event shall be not less than \$5.0 million (in respect of raw materials, spare parts and packing materials) and not less \$2.0 million (in respect of niobium mill inventory) calculated by reference to book value in accordance with GAAP and on a basis consistent with past practice.

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"Net Accounts Receivable" means: (a) the accounts receivable included in the Purchased Assets or relating to the Japan Business, minus (b) the accounts payable included in the Assumed Liabilities or relating to the Japan Business; and in the case of both clauses (a) and (b), calculated in accordance with GAAP and on a basis consistent with past practice.

"Non-Tantalum Inventory" means all inventory, supplies, spare parts and consumables of the Business, including all raw materials, work in progress and Products but excluding all Tantalum Inventory.

"Organizational Document" means with respect to any Person that is an entity, the articles of incorporation, certificate of incorporation, articles of organization, articles of association, charter, bylaws or other similar organizational documents relating to the creation and governance of such entity and its relationship with its owners.

"Parent Guarantee" means a guarantee, dated as of the Closing Date, executed by Purchaser and Global Advanced Metals Pty Ltd., in substantially the form attached hereto as Exhibit K.

"Patents" means all patents of the United States or any other country or political subdivision, including industrial and utility models, industrial designs, petty patents, patents of importation, patents of addition, certificates of invention, design patents, patent applications, and patent disclosures, and any other indicia of invention ownership issued or granted by any Governmental Authority, including all provisional applications, priority and other applications, divisionals, continuations (in whole or in part), extensions, reissues, re-examinations or equivalents or counterparts of any of the foregoing; and any registration or recording of any patent, any application for patent in the United States or any other country, including any such registration, recording, or application in the United States Patent and Trademark Office or in any similar office or agency of any other country or political subdivision.

"Permits" means any approvals, authorizations, consents, licenses, registrations, permits or certificates of a Governmental Authority applicable to the Business or the Purchased Assets.

"Permitted Liens" means (i) Liens disclosed on Schedule 1.01(d), (ii) Liens disclosed on the Financial Statements or notes thereto or securing liabilities reflected on the Financial Statements or notes thereto, (iii) Liens for Taxes, assessments and similar charges not yet due and payable or the amount or validity of which is being contested in good faith by appropriate proceedings, (iv) mechanic's, workmen's, materialmen's, carrier's, repairer's, warehousemen's and other similar Liens arising or incurred in the ordinary course of business for amounts which are not due and payable and which are not, individually or in the aggregate, significant, (v) easements, quasi-easements, licenses, covenants, rights-of-way, and other similar restrictions, including any other agreements, conditions or restrictions that would be shown in a current title report or other similar report or listing, (vi) Liens on the lessors' or prior lessors' interests and matters of record affecting title to property that do not materially impair the occupancy or use of such property for the purposes for which it is currently used in connection with the Business, (vii) zoning, building and other land use regulations regulating the use or occupancy of real property or activities conducted thereon imposed by governmental agencies having jurisdiction over such real property which are not violated by the current use and operation of such real



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property or the operation of the Business thereon, (viii) Liens arising by operation of Law and (ix) other Liens which, individually or in the aggregate, do not and would not reasonably be expected to materially adversely affect the operation of the Business as currently conducted.

"Person" means an individual, corporation, public limited company, limited liability company, stock company, partnership, association, trust or other entity or organization, including any Governmental Authority.

"Post-Closing Tax Period" means all taxable periods beginning after the Closing Date and the portion beginning on the day after the Closing Date of any tax period that includes but does not end on the Closing Date.

"Pre-Closing Tax Period" means all taxable periods ending on or prior to the Closing Date and the portion ending on the Closing Date of any taxable period that includes but does not end on the Closing Date.

"Proceeding" means any proceeding, litigation, action, claim, suit, arbitration, investigation, written notice or written demand.

"Products" means any and all products developed, manufactured, marketed or sold by Seller and the Selling Affiliate in connection with the Business.

"Registered" shall mean issued by, registered with, renewed by or the subject of a pending application before any Governmental Authority or Internet domain name registrar.

"Release" means any actual or threatened releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, seeping, dispersal, leaching, dumping, disposing, migrating or placing of Hazardous Materials into the Environment (including the abandonment or discarding of barrels, containers and other closed receptacles containing any Hazardous Materials).

"Retained Environmental Liabilities" means any Liability (whether arising before, on or after the Closing Date) arising from or associated with any actual or alleged Releases, or any presence of, or exposure to, Hazardous Materials, at, on, under or emanating to or from (i) any real property formerly owned, leased, occupied or otherwise used for any purpose by Seller, the Selling Affiliate and/or the Business or (ii) locations that never were owned, leased or occupied by the Seller, the Selling Affiliate and/or the Business, but which received Hazardous Materials from Seller, the Selling Affiliate and/or the Business on or before the Closing Date.

"Shares" means all of the equity interests of the Company on the Closing Date.

"Software" means (a) all computer programs, including source code and object code versions, (b) all data, databases and compilations of data, whether machine readable or otherwise and (c) all documentation, training materials and configurations related to any of the foregoing.

"Special Environmental Liabilities" means Liabilities arising from Proceedings or related investigation or remediation activities in connection with (i) Hazardous Materials in groundwater at or migrating to or from the Aizu, Japan site or the Boyertown, Pennsylvania site on or prior to

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the Closing Date, (ii) those facts, conditions and circumstances identified in that certain Phase I Environmental Site Assessment and Limited Compliance Review of Cabot Supermetals, 650 and 1223 County Line Road, Boyertown PA, prepared by Environmental Resources Management for Cabot Supermetals, dated March 2011 and (iii) those facts, conditions and circumstances identified in that certain Phase I Environmental Due Diligence Assessment and Limited Compliance Review for Cabot Supermetals KK., 111 Nagayachi, Higashinagahara, Kawahigashi-cho, Aizuwakamatsu City, Fukushima, Japan, dated as of March 2011.

"TANCO Supply Agreement" means a tantalum supply agreement, dated as of the Closing Date, by and between Purchaser and/or the Company, and Seller and/or one or more Affiliates of Seller, in a similar form as attached hereto as Exhibit L, but subject to further review and reasonable comment by Seller and Purchaser between the date hereof and the Closing Date.

"Tantalum Inventory" means inventory of the Business containing tantalum and measured in contained pounds of tantalum metal.

"Target Net Accounts Receivable" means \$25 million.

"Tax Returns" means any return, declaration, report, claim, election, loss surrender agreement, information statement or other similar document filed with a Governmental Authority relating to Taxes, including any schedule or attachment thereto and any amendment thereof.

"Taxes" means any tax, duty, charge or other similar levy of any kind whatsoever levied or imposed by any supranational, national, federal, state, provincial, local, foreign or other Governmental Authority, including income, gross receipts, windfall profits, value added, severance, property, production, sales, goods and services, use, license, excise, franchise, employment, withholding or similar taxes, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties, whether disputed or not.

"Trademarks" means trademarks, service marks, trade dress, trade style, fictional business names, trade names, corporate or commercial names, certification marks, collective marks, Domain Names and other proprietary rights to any words, names, slogans, symbols, logos, devices, identifiers or combinations thereof used to identify, distinguish and indicate the source or origin of goods or services; registrations, renewals, applications for registration, recording, equivalents and counterparts of the foregoing; and any application in connection therewith, including any such registration, recording, or application in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof, or any other country or political subdivision of such other country; and the goodwill of the business associated with each of the foregoing.

"Trade Secrets" means anything that would constitute a "trade secret" under applicable law, including know-how, confidential information and proprietary information.

"Transfer Documents" means the Bill of Sale, the Assignment and Assumption Agreement, share transfer instruments with respect to the Shares and the Intellectual Property Assignment and License Agreement.

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"Transition Services Agreement" means a transition services agreement, dated as of the Closing Date, in substantially the form attached hereto as Exhibit M.

"Union Employee" means each Business Employee who is covered by a Collective Bargaining Agreement.

"U.S. Employee Plan" means each Employee Plan maintained in the United States.

"U.S. Promissory Notes" means two secured promissory notes having principal amounts of \$105,000,000 and \$6,432,484.40, respectively, each dated as of the Closing Date and executed by the U.S. Purchaser, in substantially the forms attached hereto as Parts 1 and 2 of Exhibit N.

"U.S. Purchaser" means a U.S. subsidiary of Purchaser, which will be a U.S. corporation or a U.S. limited liability company treated as a corporation for U.S. income tax purposes, that purchases the U.S. portion of the Business at the Closing.

"Washington University Sub-license" means the sub-license by Seller to Purchaser in respect of the Amended and Restated License Agreement, dated as of August 31, 2007, between Seller and Washington University of St. Louis, in substantially the form attached hereto as Exhibit O.

(b) Other Terms. The following terms, as used in this Agreement, have the respective meanings set forth in the following Sections of this Agreement:

<u>Term</u>	<u>Section</u>
Acquired Intellectual Property	5.11(a)
Actuary Certificate	10.14(d)
Adjusted Closing Cash Consideration	3.01(a)(i)
Agreement	Preamble
Asset Acquisition Statement	3.01(b)
Assigned Contracts	2.01(a)
Assumed Liabilities	2.03
Assumed Tax Liabilities	2.03(f)
Billerica Reactor	2.02(q)
Business	Recital A

<b>Term</b>	<b>Section</b>
Certain Seller Intellectual Property	9.04
Claim Notice	12.04(b)
Closing	4.01
Closing Cash Consideration	3.01(a)(i)
Closing Net Accounts Receivable	3.03(a)
Closing Non-Tantalum Inventory	7.03(c)(i)
Closing Statement	3.03(a)
Closing Tantalum Inventory	7.03(c)(i)
Commitment Letters	6.05
Company	Recital C
Company Benefit Plan	10.14(a)
Competitive Activities	7.04(a)
Confidentiality Agreement	8.01(a)
Current Insurance Policies	7.05(a)
DB Transfer Date	10.14(b)
DDTC	7.07
EICC	5.04
Excluded Assets	2.02
Excluded Liabilities	2.04
Excluded Tax Liabilities	2.04(d)
FCPA	5.21
Final Closing Net Accounts Receivable	3.03(a)
Final Closing Statement	3.03(a)

<b>Term</b>	<b>Section</b>
Final Offer	3.03(c)
Final Purchase Price	3.01(a)(iv)
Final Working Capital Adjustment	3.03(a)
Financial Statements	5.06
Guarantor	Preamble
Improvements	5.10(e)
Indemnified Parties	12.03
Indemnifying Party	12.04(b)
Independent Accounting Firm	3.03(c)
Information	7.08
ITAR	7.07
Japan Assets	5.05
Japan Business	Recital C
Japan Liabilities	5.26
Japanese Benefit Plan	10.14(a)
Japanese Transferred Employees	10.14(a)
Latest Balance Sheet	5.06
Lease Consents	7.06(c)
Licensed Intellectual Property	5.11(a)
Non-solicitation Period	7.04(c)
Notice of Dispute	3.03(c)
Notice Period	12.04(b)
OFAC	5.22

<b>Term</b>	<b>Section</b>
Owned Intellectual Property	5.11(a)
Owned Property	5.10(a)
Potential Contributor	12.07
Prohibited Payment	5.21
Protocol	5.04
Purchased Assets	2.01
Purchaser	Preamble
Purchaser Actuary	10.14(d)
Purchaser DC Plan	10.08
Purchaser Indemnified Parties	12.03
Purchaser's Plans	10.04
Purchaser's Representatives	8.01(b)
Ratio	10.14(b)
Real Property Lease	5.10(a)
Retention Agreements	10.09
Revised Statements	3.01(b)
Sanctions	5.22
Seller	Preamble
Seller Actuary	10.14(c)
Seller Indemnified Parties	12.02
Seller Information	8.01(b)
Seller Property	5.10(a)
Selling Affiliate	Recital A

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<b>Term</b>	<b>Section</b>
Severance Obligations	10.10
Surveys	7.05(b)
TANCO	2.01(p)
Target Working Capital	3.02(a)(ii)
Termination Date	13.01(b)
Third Party Actuary	10.14(d)
Threshold Amount	12.06(a)
Title Commitments	7.06(a)
Title Company	7.06(a)
Title Policies	7.06(a)
Transfer Taxes	8.04
Transferred Working Capital	3.02(a)(i)
Underfunded Pension Amount	10.14(c)
U.S. Business	2.01
U.S. Business Employee	10.02(a)
U.S. Transferred Employees	10.02(a)
Working Capital Adjustment	3.02(a)
Working Capital Estimate	3.02(b)

Other terms may be defined elsewhere in the text of this Agreement and, unless otherwise indicated, shall have such meaning throughout this Agreement. Any term defined in a singular form will have the same meaning when used in its plural form and any term defined in a plural form will have the same meaning when used in its singular form.

## **ARTICLE II**

### **PURCHASE AND SALE OF ASSETS AND SHARES; ASSUMPTION OF LIABILITIES**

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Section 2.01. Purchase and Sale of the Assets of the Seller. On the terms and subject to the conditions set forth in this Agreement, at the Closing Purchaser shall purchase, acquire and accept from Seller, and Seller shall sell, transfer, assign, convey and deliver to Purchaser all of Seller's right, title and interest in, to and under the Purchased Assets. "Purchased Assets" shall mean all assets of the Business conducted by the Seller as of the Closing (excluding, however, the Excluded Assets and, for the avoidance of doubt, those assets of the Japan Business currently owned by the Selling Affiliate) (the "U.S. Business") necessary to operate the U.S. Business as currently conducted, including without limitation the following:

- (a) all Contracts to which Seller is a party, including any agreements related to the Acquired Intellectual Property, that relate to the U.S. Business other than the Excluded Contracts (the "Assigned Contracts");
- (b) all accounts receivable of Seller arising from the U.S. Business;
- (c) all inventory and supplies of the Business, including Tantalum Inventory and Non-Tantalum Inventory (other than the Excess Tantalum Inventory);
- (d) all deposits (including customer deposits and security deposits for rent, electricity, telephone or otherwise) and prepaid charges and expenses, including any prepaid rent, of Seller related to any Purchased Assets other than prepaid charges, expenses and rent under the Real Property Leases or in respect of the Owned Properties that are attributable to any period ending on or before the Closing Date;
- (e) the Owned Property, together with all improvements, fixtures and other appurtenances thereto and rights in respect thereof, and all rights of Seller under each Real Property Lease;
- (f) all Furniture and Equipment of Seller used in the U.S. Business;
- (g) all Owned Intellectual Property;
- (h) all Documents used in the U.S. Business, including Documents relating to Products, services, marketing, advertising, promotional materials, Acquired Intellectual Property, and all files, customer files and documents (including credit information), supplier lists, records, literature and correspondence, and any Documents required to be maintained in relation to the Business under any applicable law, whether or not physically located on any of the premises referred to in clause (e) above, including personnel files for U.S. Transferred Employees and Japanese Transferred Employees, but excluding personnel files for employees of Seller and the Selling Affiliate who are not U.S. Transferred Employees or Japanese Transferred Employees, and excluding, in each case, such files as may be required to be withheld under applicable Law;
- (i) all Permits;
- (j) all research and development equipment used in the U.S. Business, including, without limitation, the research and development equipment listed on Schedule 2.01(j);



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- (k) all goodwill and other intangible assets associated with the U.S. Business, including the goodwill associated with the Owned Intellectual Property;
  - (l) all rights in and to the Niotan Inc. complaint;
  - (m) all rights and claims of Seller or the Selling Affiliate existing at Closing under any warranty, term, condition, guarantee or indemnity, whether express or implied, in favor of Seller or the Selling Affiliate in relation to any Purchased Asset;
  - (n) subject to Section 9.08, Seller's flame synthesis reactor located in Billerica, Massachusetts (the "Billerica Reactor"); and
  - (o) any other property or assets of Seller or the Selling Affiliate used primarily in connection with the U.S. Business.

Section 2.02. Excluded Assets. Nothing herein contained shall be deemed to sell, transfer, assign or convey the Excluded Assets to Purchaser, and Seller shall retain all right, title and interest in, to and under the Excluded Assets. "Excluded Assets" shall mean the following assets of Seller:

- (a) all Excluded Contracts;
- (b) all cash, cash equivalents, bank deposits or similar cash items of Seller and all bank accounts;
- (c) all minute books, Organizational Documents, stock registers and such other books and records of Seller pertaining to ownership, organization or existence of Seller and duplicate copies of such records as are necessary to enable Seller to file Tax returns and reports;
- (d) any Intellectual Property of Seller other than the Owned Intellectual Property;
- (e) any personnel files pertaining to any employee or former employee of Seller or the Selling Affiliate who is not a U.S. Transferred Employee or Japanese Transferred Employee;
- (f) (i) any other books and records that Seller is required by Law to retain; provided, however, that if permitted by applicable Law, Purchaser shall have the right to make copies of any portions of such retained books and records that relate to the U.S. Business or any of the Purchased Assets; and (ii) any documents relating to proposals to acquire the Business by Persons other than Purchaser;
- (g) any claim, right or interest of Seller in or to any refund, rebate, abatement or other recovery for Taxes in relation to periods ending on or before the Closing Date, together with any interest due thereon or penalty rebate arising therefrom;
- (h) except as provided in Section 7.05, all insurance policies or rights to proceeds thereof relating to the assets, properties, business or operations of Seller;

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(i) any rights, claims or causes of action of Seller against third parties relating to assets, properties, business or operations of Seller arising out of events occurring on or prior to the Closing Date, but excluding the Niotan Inc. complaint;

(j) all Tax returns and financial statements of Seller and the Business and all records (including working papers) related thereto;

(k) all prepaid charges, expenses or rent under the Real Property Leases or any such other leases or in respect of the Owned Property that is attributable to any period ending on or before the Closing Date;

(l) all ownership interests of Seller in any Person (for avoidance of doubt, other than the Company);

(m) all of Seller's credits, demands or rights of set-off against third parties arising on or before the Closing Date;

(n) except to the extent provided in Article X, all Employee Plans and related trusts or funding arrangements;

(o) all rights that accrue to Seller under this Agreement;

(p) all assets directly or indirectly owned by Tantalum Mining Corporation of Canada, Ltd. ("TANCO");

(q) subject to Section 9.08, the Billerica Reactor; and

(r) all Intercompany Accounts Receivable.

Section 2.03. Assumption of Liabilities. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Purchaser shall assume, effective as of the Closing, and shall timely perform, pay and discharge in accordance with their respective terms, the following Liabilities of Seller arising out of, relating to or otherwise in respect of the U.S. Business regardless of when incurred and including Liabilities incurred or arising prior to Closing (for the avoidance of doubt, excluding those Liabilities of the Japan Business currently owned by the Selling Affiliate) (collectively, the "Assumed Liabilities"):

(a) Liabilities of Seller under the Assigned Contracts;

(b) all Liabilities assumed by Purchaser in Article X;

(c) Liabilities arising from the sale of Products in the ordinary course of business, including pursuant to product warranties, product returns and rebates;

(d) Liabilities in respect of (i) Environmental Laws; (ii) Environmental Claims; (iii) Releases; and (iv) any and all other matters relating to the Environment arising out of or otherwise related to the U.S. Business, other than the Retained Environmental Liabilities, and subject to Seller's obligations under Sections 12.03;

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(e) Liabilities constituting, or arising in connection with, accounts payable existing on the Closing Date (including, for the avoidance of doubt, (i) invoiced accounts payable and (ii) accrued but uninvoiced accounts payable); and

(f) all Liabilities and commitments for Taxes arising out of or relating to or in respect of the Purchased Assets for any Post-Closing Tax Period (the "Assumed Tax Liabilities").

Section 2.04. Excluded Liabilities. Purchaser will not assume or be liable for any Excluded Liabilities, which shall remain the responsibility of Seller and the Selling Affiliate. "Excluded Liabilities" shall mean:

(a) all Liabilities of Seller, including without limitation the Retained Environmental Liabilities, other than the Assumed Liabilities;

(b) all Liabilities arising out of the Intercompany Accounts Payable;

(c) all Liabilities arising from the Employee Plans and Business Employees, other than the Liabilities assumed by Purchaser in Article X; and

(d) all Liabilities and commitments of Seller and the Selling Affiliate for Taxes arising out of or relating to or in respect of any business, asset, property or operation of Seller or the Selling Affiliate (including the Purchased Assets) for any Pre-Closing Tax Period (the "Excluded Tax Liabilities").

Section 2.05. Further Conveyances and Assumptions; Consent of Third Parties.

(a) From time to time following the Closing, Seller and Purchaser shall, and Seller shall cause the Selling Affiliate to, execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases and acquittances and such other instruments, and shall take such further actions, as may be reasonably necessary or appropriate to assure fully to Purchaser and its successors or assigns, all of the rights, title and interests intended to be conveyed to Purchaser under this Agreement and the Transfer Documents and to assure fully to Seller and the Selling Affiliate and their successors and assigns the assumption of the liabilities and obligations intended to be assumed by Purchaser under this Agreement and the Transfer Documents, and to otherwise make effective the transactions contemplated hereby and thereby.

(b) Nothing in this Agreement nor the consummation of the transactions contemplated hereby shall be construed as an attempt or agreement to assign any Purchased Asset or Shares, including any Contract, Permit, certificate, approval, authorization or other right, which by its terms or by Law is not assignable without the consent of a third party or a Governmental Authority or is cancelable by a third party in the event of an assignment unless and until such consent shall have been obtained. Seller shall use its commercially reasonable efforts to cooperate with Purchaser at its request for up to 90 days following the Closing Date in endeavoring to obtain such consents promptly and shall cooperate with Purchaser and its Affiliates in any lawful, contractually permitted and economically feasible arrangement to provide that Purchaser and its Affiliates shall receive the interest of Seller and the Selling Affiliate in the benefits under any such Contract, Permit, certificate, approval, authorization or other right, including performance by Seller or the Selling Affiliate as agent; provided that

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Purchaser shall, or shall cause its applicable Affiliate to, undertake to pay or satisfy the corresponding liabilities for the enjoyment of such benefit to the extent Purchaser, or its applicable Affiliate, would have been responsible therefor hereunder if such consent had been obtained. Any and all upfront amounts paid for administrative costs to obtain a consent, whether before or after the Closing Date, shall be borne equally by Purchaser and Seller. All costs associated with obtaining a consent other than those costs described in the foregoing sentence shall be borne by Purchaser.

Section 2.06. Bulk Sales Laws. Purchaser hereby waives compliance by Seller and the Selling Affiliate with the requirements and provisions of any "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Purchaser.

Section 2.07. Purchase and Sale of the Shares of the Company. On the terms and subject to the conditions set forth in this Agreement, at the Closing Purchaser shall purchase, acquire and accept from the Selling Affiliate, and Seller shall cause the Selling Affiliate to sell, transfer, assign, convey and deliver to Purchaser, all of the Shares.

### **ARTICLE III**

#### **CONSIDERATION**

Section 3.01. Purchase Price.

(a) Calculation and Payment of Purchase Price. In consideration for the transfer by Seller and the Selling Affiliate to Purchaser of the Purchased Assets and the Shares, Purchaser shall assume the Assumed Liabilities and pay to Seller and/or the Selling Affiliate (as directed by Seller):

- (i) US\$175,000,000 in cash at Closing (the "Closing Cash Consideration", and, as adjusted pursuant to Sections 3.02, 7.03(c), 9.08 and 10.14, the "Adjusted Closing Cash Consideration");
- (ii) an aggregate of US\$135,900,000 in principal and interest payments pursuant to the U.S. Promissory Notes;
- (iii) an aggregate of US\$90,600,000 in principal and interest payments pursuant to the Japan Promissory Notes; and
- (iv) the amounts set forth in the Contingent Payment Agreement, upon the terms set forth therein.

The Adjusted Closing Cash Consideration shall be paid by wire transfer of immediately available funds to an account or accounts designated in writing by Seller to Purchaser at least three (3) Business Days prior to the Closing. The Initial Purchase Price shall be subject to adjustment as set out in the Final Closing Statement determined in accordance with Section 3.03 (as so adjusted, the "Final Purchase Price").

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(b) Purchase Price Allocation. Seller and Purchaser will allocate the Purchase Price among the Shares and the Purchased Assets in accordance with the principles set forth on Schedule 3.01(b) and a statement (the "Allocation Statement") to be provided by Seller to Purchaser as soon as practicable after the Closing, which statement will be prepared in accordance with Section 1060 of the Code. If Purchaser disagrees with the Allocation Statement provided by Seller and the parties are unable to reach agreement, the matter will be resolved by an Independent Accounting Firm selected in the manner specified in Section 3.03(c). The decision of the Independent Accounting Firm as to the resolution of the dispute will be conclusive and binding on the parties. The fees and expenses of the Independent Accounting Firm will be divided equally between Seller and Purchaser. Seller and Purchaser will file all Tax Returns (including Form 8594) on a basis that is consistent with the Allocation Statement or the decision of the Independent Accounting Firm, as the case may be, and will take no position inconsistent therewith for Tax purposes unless required by an administrative or judicial determination.

Section 3.02. Closing Cash Consideration Adjustment.

(a) The Closing Cash Consideration may be increased or decreased by the Working Capital Adjustment, if any. The "Working Capital Adjustment" (which may be a positive or a negative number) shall be an amount equal to (x) the Transferred Working Capital (defined below) minus (y) the Target Working Capital (also defined below).

(i) "Transferred Working Capital" means an amount equal to the following items, in the aggregate:

(A) Prepayments. Any prepayment of Tax or other costs or obligations by Seller or the Selling Affiliate on or before the Closing Date with respect to periods after the Closing Date, shall be reflected as an asset on the Working Capital Estimate (defined below) and the Closing Statement (also defined below).

(B) Deferred Payments. All deferred or otherwise outstanding payment obligations associated with the Owned Properties or Real Property Leases which relate to liabilities that have been incurred on or prior to the Closing Date that have been assumed by Purchaser or for which Purchaser is otherwise responsible shall be reflected as a liability on the Working Capital Estimate and the Closing Statement.

(C) Other Prorations. All prepayments, rents, current property or ad valorem Taxes of the current year, salaries, assessments, utilities, maintenance charges and similar expenses associated with the Owned Properties or Real Property Leases shall be prorated between Seller and the Selling Affiliate (as applicable) on the one hand, and Purchaser on the other hand, as of the Closing Date. To the extent such proration has not been effected by other means and to the extent of information then available, such proration shall be reflected on the Working Capital Estimate and the Closing Statement.

(ii) "Target Working Capital" shall mean \$0.

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(b) Working Capital Estimate. An estimate of the Working Capital Adjustment shall be calculated by Seller and set forth in an estimate (the "Working Capital Estimate") delivered to Purchaser not later than five (5) Business Days prior to the scheduled date for Closing. The Working Capital Estimate shall contain information detailing the basis for Seller's calculations, and Purchaser and its representatives shall have access to such records of Seller and the Selling Affiliate as may be reasonably requested for verifying and confirming such amounts and calculations. If the Working Capital Adjustment set forth on the Working Capital Estimate is a positive number, such amount shall be added to the Closing Cash Consideration and paid by Purchaser to Seller and/or the Selling Affiliate on the Closing Date. If the Working Capital Adjustment set forth on the Working Capital Estimate is a negative number, such amount shall be deducted from the Closing Cash Consideration.

Section 3.03. Post-Closing Purchase Price Adjustments.

(a) Closing Statement. Within one hundred and twenty (120) calendar days after the Closing, Purchaser shall deliver to Seller a written statement (the "Closing Statement") setting forth Purchaser's calculation of (i) the Working Capital Adjustment and (ii) the Net Accounts Receivables as of the point in time immediately prior to the Closing (the "Closing Net Accounts Receivable"). The Closing Statement shall contain information detailing the basis for Purchaser's calculations, and Seller and its representatives shall have access to such records of Purchaser as may be reasonably requested for verifying and confirming such amounts and calculations. Purchaser and Seller agree to be reasonably available at each other's request to meet and discuss the preparation of the Closing Statement. The "Final Closing Statement" shall be (i) the Closing Statement in the event that no Notice of Dispute with respect thereto is delivered to Purchaser in accordance with Section 3.03(c) below or (ii) the Closing Statement as adjusted by (A) the agreement of Seller and Purchaser and/or the Independent Accounting Firm (defined below). The "Final Working Capital Adjustment" shall be the Working Capital Adjustment set forth in the Final Closing Statement. The "Final Closing Net Accounts Receivable" shall be the Closing Net Accounts Receivable set forth on the Final Closing Statement.

(b) Adjustments.

(i) If the Working Capital Adjustment set forth on the Working Capital Estimate exceeds the Final Working Capital Adjustment by more than US \$50,000, then Seller shall pay to Purchaser the total amount of such excess, with interest as provided in Section 3.03(e), as an adjustment to the Initial Purchase Price, exclusive of any Transfer Taxes and without reduction for any withholding Taxes. If the Final Working Capital Adjustment exceeds the Working Capital Adjustment set forth on the Working Capital Estimate by more than US\$50,000, then Purchaser shall pay to Seller the total amount of such excess, with interest as provided in Section 3.03(e), as an adjustment to the Initial Purchase Price, exclusive of any Transfer Taxes and without reduction for any withholding Taxes.

(ii) If the Target Net Accounts Receivable exceeds the Final Closing Net Accounts Receivable by more than US\$50,000, then Seller shall pay to Purchaser the total amount of such excess, with interest as provided in Section 3.03(e), as an adjustment

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to the Initial Purchase Price, exclusive of any Transfer Taxes and without reduction for any withholding Taxes. If the Final Closing Net Accounts Receivable exceeds the Target Net Accounts Receivable by more than US\$50,000, then Purchaser shall pay to Seller the total amount of such excess, with interest as provided in Section 3.03(e), as an adjustment to the Initial Purchase Price, exclusive of any Transfer Taxes and without reduction for any withholding Taxes.

(iii) Any payment required to be made pursuant to this Section 3.03(b) shall be made by wire transfer of immediately available funds to an account or accounts designated in writing by the receiving party for such purpose or by such other means as mutually agreed upon by the parties, in each case, not later than the fifth Business Day after the date of the final determination of the Final Closing Statement.

(c) Resolution of Objections. If Seller gives to Purchaser written notice of dispute (a "Notice of Dispute") of any element of the Closing Statement within thirty (30) calendar days after receiving the Closing Statement, the disputed amount shall be negotiated between Seller (for itself and/or on behalf of the Selling Affiliate, as applicable) and Purchaser. After the delivery by Seller to Purchaser of any such Notice of Dispute, Purchaser and Seller shall use their reasonable best efforts to reconcile their differences with respect to any disputed amount, and any written resolution by them as to any disputed item set forth in the Notice of Dispute shall be final and binding on the parties hereto. If Purchaser and Seller are unable to reach a resolution on all disputed items within thirty (30) calendar days after the delivery of the Notice of Dispute, either Purchaser or Seller may, by written notice, submit the items remaining in dispute for resolution to an internationally recognized firm of independent public accountants reasonably acceptable to both Purchaser and Seller (the "Independent Accounting Firm"), whereupon each of Purchaser and Seller shall promptly furnish to the Independent Accounting Firm such party's final offer for the settlement of all items remaining in dispute (each a "Final Offer"). If Purchaser and Seller are unable to agree upon the selection of the Independent Accounting Firm within thirty (30) calendar days after the delivery of the Notice of Dispute, then each party shall promptly thereafter designate one internationally recognized firm of independent public accountants. The parties shall cause such firms promptly thereafter jointly to select a third firm to serve as the Independent Accounting Firm (which shall be an internationally recognized firm of independent public accountants that does not have a material business relationship with either Seller or Purchaser or any of their respective Affiliates), and any such selection shall be binding on Purchaser and Seller with respect to resolving such disputed items. The Independent Accounting Firm shall resolve such disputed items in a manner which is consistent with this Agreement but which shall not exceed the Final Offer of either Seller or Purchaser. All dispute resolution proceedings in connection with the Closing Statement or amount payable hereunder shall take place at the offices of the Independent Accounting Firm in New York, New York or at such other location as Purchaser and Seller may otherwise mutually agree in writing.

(d) Independent Accounting Firm. Each of the parties shall furnish, at its own expense, the Independent Accounting Firm and the other parties hereto with such documents and other written information as the Independent Accounting Firm may request in connection with resolving the disputed items. Each party may also furnish to the Independent Accounting Firm such other written information and documents as such party deems relevant; provided, that copies of all such documents and materials shall be concurrently delivered to the other parties to

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the proceedings in the same form and manner as such materials are delivered to the Independent Accounting Firm. The Independent Accounting Firm may, at their discretion, conduct one or more conferences with respect to the dispute between Purchaser and Seller, at which conference each party shall have the right to present such additional documents, materials and other information and to be accompanied or represented by such advisors, counsel and accountants as each party shall choose in its sole discretion. Purchaser and Seller shall instruct the Independent Accounting Firm to render their written decision with respect to all matters submitted to them by Purchaser and Seller as promptly as practicable. The Independent Accounting Firm shall determine the proportion of their fees and expenses to be paid by Purchaser and Seller, respectively, in accordance with the relative merits of the parties' positions. Purchaser and Seller shall promptly pay their respective shares of the fees and expenses of the Independent Accounting Firm. The determination of the Independent Accounting Firm as to all disputed items shall be final and binding upon Purchaser and Seller, except in the case of manifest error or actual fraud. The disputed amount shall be payable by the party owing such amount within five (5) Business Days following resolution or determination of the dispute. The failure of Seller to provide a Notice of Dispute within the thirty (30) calendar day time period referred to in Section 3.02(c) shall be deemed an acceptance by Seller of the Settlement Statement.

(e) **Interest.** Any amount owing hereunder with respect to the Final Closing Statement that is not paid within the applicable time period set forth above shall bear interest on the amount due from the Closing Date to and including the date paid in full at an annual interest rate equal to the ninety (90)-day U.S. Treasury Bill rate in effect as of the Closing Date (as reported in The Wall Street Journal). All such computations of interest shall be made by the party entitled to receive payment on the basis of a year of 360 days, in each case for the actual number of days occurring in the period for which such interest is payable.

## **ARTICLE IV**

### **CLOSING**

Section 4.01. **Closing.** The closing of the transactions contemplated hereunder (the "**Closing**") shall take place at the offices of Jones Day, 222 East 41<sup>st</sup> Street, New York, New York, 10017 at 10:00 a.m. (local time in New York, New York) on the fifth Business Day after the satisfaction or waiver of the conditions set forth in **Article XI** occurs (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), or at such other date or place as Purchaser and Seller may agree, it being understood that, if required by applicable Law, Seller may request that the Closing be comprised of separate "closings" in one or more local jurisdiction(s) where the Shares, any Purchased Assets or Assumed Liabilities are being transferred and may request that Purchaser pay or cause to be paid portions of the Initial Purchase Price and the Final Purchase Price payable in accordance with Section 3.01(a) directly or indirectly to the Selling Affiliate in the local currency of any such jurisdiction. Subject to applicable Laws, legal title, equitable title and risk of loss with respect to, the Shares, the Purchased Assets and the Assumed Liabilities will transfer to Purchaser at the Closing, which transfer will be deemed effective for Tax, accounting and other computational purposes as of 12:01 a.m. (local time in the applicable jurisdiction in which each such transfer occurs) on the Closing Date. All proceedings to be taken and all documents to be executed and delivered by all parties at the Closing shall be deemed to have



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been taken and executed and delivered simultaneously and no proceedings shall be deemed to have been taken nor documents executed or delivered until all have been taken, executed and delivered.

Section 4.02. Deliveries by Seller. On the Closing Date, Seller shall deliver or cause to be delivered to Purchaser the following items, duly executed to the extent applicable by Seller and the Affiliate(s) of Seller that are party thereto:

- (a) the Bill of Sale;
- (b) the Assignment and Assumption Agreement;
- (c) the Intellectual Property Assignment and License Agreement;
- (d) the TANCO Supply Agreement;
- (e) the Transition Services Agreement;
- (f) the Corporate Split Agreement;
- (g) the Contingent Payment Agreement;
- (h) the U.S. Promissory Notes;
- (i) the Japan Promissory Notes;
- (j) the Guaranty and Security Agreement;
- (k) the Japan Security Agreement;
- (l) the Washington University Sub-license;
- (m) a certificate, dated as of the Closing Date, signed by an executive officer of Seller certifying as to the satisfaction of the conditions specified in Sections 11.02(a) and 11.02(b);
- (n) the Selling Affiliate's written request to the Company or such other document required for Purchaser to complete the registration in the shareholders registry of the Company for the transfer of Shares from the Selling Affiliate to Purchaser in accordance with this Agreement;
- (o) a certificated copy of the minutes of the board of directors and/or shareholders meeting, as applicable, of the Company approving the transfer of the Shares from the Selling Affiliate to Purchaser in accordance with this Agreement;
- (p) the shareholders registry of the Company;
- (q) resignation letters of the directors of the Company;

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(r) evidence reasonably satisfactory to Purchaser that the Corporate Split has been completed, including, if available, a certified copy of the corporate registration showing the completion of the Corporate Split together with such other evidence Purchaser reasonably requests in connection with the Corporate Split;

(s) original share certificates of the Company (if any have been issued since the date of incorporation of the Company);

(t) a certificate under Section 1445(a) of the Code from Seller, in form and substance reasonably satisfactory to Purchaser, certifying, under the penalties of perjury, that Seller is, for U.S. federal income tax purposes, not a foreign person;

(u) payoff and termination letters with respect to each of the letters of credit or bank guarantees listed on Schedule 4.02(u);

(v) the books and records referred to in Section 7.03(a); and

(w) any other certificates or documents that may be reasonably requested by Purchaser.

Section 4.03. Deliveries by Purchaser. On the Closing Date, Purchaser shall deliver or cause to be delivered to Seller the following items, duly executed to the extent applicable by Purchaser and the Affiliate(s) of Purchaser that are party thereto:

(a) the Closing Cash Consideration as set forth in Section 3.01(a)(i);

(b) the Assignment and Assumption Agreement;

(c) the Intellectual Property Assignment and License Agreement;

(d) the TANCO Supply Agreement;

(e) the GAM Supply Agreement;

(f) the Transition Services Agreement;

(g) the Contingent Payment Agreement;

(h) the U.S. Promissory Notes;

(i) the Japan Promissory Notes;

(j) the Guaranty and Security Agreement;

(k) the Japan Security Agreement;

(l) the Parent Guarantee;

(m) the Washington University Sub-license;

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(n) a certificate, dated as of the Closing Date, signed by an executive officer of Purchaser certifying as to the satisfaction of the conditions specified in Sections 11.03(a) and 11.03(b); and

(o) any other certificates or documents that may be reasonably requested by Seller.

## **ARTICLE V**

### **REPRESENTATIONS AND WARRANTIES OF SELLER**

Except as otherwise set forth in the Disclosure Schedule, Seller represents and warrants to Purchaser as follows, provided, however, that, where a representation and warranty expressly relates to the Company, such representation and warranty is made only at the Closing Date:

#### **Section 5.01. Organization, Power and Authorization; Binding Effect.**

(a) **Organization and Power.** Seller is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. The Selling Affiliate is duly organized and validly existing under the Laws of Japan. As of the Closing Date, the Company is duly authorized and validly existing under the laws of Japan. Seller has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder and to cause Selling Affiliate to act in accordance with this Agreement.

(b) **Authorization.** This Agreement has been duly authorized, executed and delivered by Seller and no additional proceedings on the part of Seller, the Selling Affiliate or the Company are necessary to authorize the consummation of this Agreement or the transactions contemplated hereby.

(c) **Capitalization.** As of the Closing Date, all of the authorized and outstanding capital stock of the Company shall be directly owned by the Selling Affiliate. As of the Closing Date, the Shares have been duly authorized and validly issued in compliance with applicable legal requirements and free of any Lien. There are no options, warrants or other rights held by any Person to purchase any equity interest in the Company, and there are no debt, equity or other instruments that may be converted into or otherwise exchanged for any equity interest in the Company. The Company has not carried on any business other than the Corporate Split and does not have any assets or liabilities other than those relating to the Corporate Split.

(d) **Binding Effect.** This Agreement constitutes, and the Transition Services Agreement, Washington University Sub-license and Transfer Documents will constitute when executed and delivered by the parties thereto, valid and binding agreements of Seller and the Selling Affiliate, and any other Affiliate of Seller or the Selling Affiliate party thereto, as applicable, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

**Section 5.02. Consents and Approvals.** Except as set forth on Schedule 5.02 or as required by the HSR Act or any applicable Competition Law, the execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated

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hereby do not require Seller or the Selling Affiliate or the Company to obtain any consent, approval, waiver or authorization from, or to give any notice or filing to, any Governmental Authority or other Person, other than where the failure to obtain such consent, approval, waiver or authorization, or to give or make such notice or filing, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect or materially impair or delay the ability of Seller and the Selling Affiliate to effect the Closing.

Section 5.03. Noncontravention. The execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby do not and will not (a) violate the Organizational Documents of Seller or the Selling Affiliate, (b) assuming compliance with the matters referred to in Section 5.02, violate any applicable Law, (c) conflict with, result in a breach of or constitute a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of Seller or the Selling Affiliate or the Company in relation to the Business or to any loss of any benefit to which any of them is entitled under, any provision of any third-party (non-Affiliate) Contract binding upon Seller or the Selling Affiliate with respect to the Business (in any such case, whether after the giving of notice or lapse of time or both), or (d) result in the creation or imposition of any Lien upon the Purchased Assets, other than, in the case of clauses (b), (c) and (d), any violation, conflict, breach, default, termination, cancellation, acceleration, loss or Lien that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect or materially impair or delay the ability of Seller and the Selling Affiliate to effect the Closing.

Section 5.04. Information Provided. To the Knowledge of the Seller, all information with respect to the compliance of Seller and the Selling Affiliate in connection with the Business with the Electronic Industry Citizenship Coalition ("EICC") and the Global e-Sustainability Initiative Tantalum Validation protocol (the "Protocol") as it applies to the Business is true and correct in all material respects.

Section 5.05. Title to Purchased Assets; Sufficiency. Seller, the Selling Affiliate or the Company has good and marketable title to, or a valid leasehold interest in, each of the Purchased Assets and all assets of the Japan Business transferred from the Selling Affiliate in accordance with the Corporate Split Agreement (the "Japan Assets") (respectively), free and clear of all Liens other than Permitted Liens. Except for the services to be provided under the Transition Services Agreement, (a) the Purchased Assets and the Japan Assets constitute all of the property and assets of Seller and the Selling Affiliate which are necessary to operate the Business as currently conducted in all material respects. As at Closing, the Company will have good and marketable title to, or a valid leasehold interest in, each of the Japan Assets, free and clear of all Liens other than Permitted Liens. The Seller and Selling Affiliate have not parted with the ownership, possession or control of, or disposed or agreed to dispose of, or granted or agreed to grant any option or right of pre-emption in respect of, or offered for sale, its estate or interest in any of the Purchased Assets or Japan Assets (as applicable) except (in the case of inventory only) in the ordinary course of trading of the U.S. Business or Japan Business (as applicable) and (in the case of the Japan Assets only) by way of transfer to the Company in accordance with the Corporate Split.

Section 5.06. Financial Statements. Schedule 5.06 contains a copy of: (i) the audited balance sheets of the Business as of September 30, 2010 and September 30, 2009, and the

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audited statements of operations and cash flows of the Business for the fiscal years ending September 30, 2010, September 30, 2009 and September 30, 2008, together with the notes thereto, and (ii) the unaudited balance sheet of the Business as of June 30, 2011 (the "Latest Balance Sheet") and the related unaudited statements of operations and cash flows of the Business for the nine (9) month period then ended ((i) and (ii), collectively, the "Financial Statements"). The Financial Statements (including the notes thereto) have been prepared in accordance with GAAP (except with respect to the unaudited financial statements for normal year-end adjustments and the lack of footnotes thereto) and present fairly, in all material respects, the combined financial position of the Business as of the dates thereof and its combined results of operations and cash flows for the periods then ended.

Section 5.07. Absence of Certain Changes. Except as otherwise required or permitted by this Agreement, since the Balance Sheet Date, (a) the Business has been conducted only in the ordinary course, (b) there has been no material deterioration in the turnover or financial position of the Business and (c) there has not been any event, occurrence or development that (i) if it occurred after the date of this Agreement (and was not set forth on Schedule 7.02(a) or consented to by Purchaser), would violate the covenants of Seller set forth in Section 7.02 or (ii) individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

Section 5.08. Litigation; Compliance with Law.

(a) Except as set forth on Schedule 5.08(a), there are no Proceedings pending or, to the Knowledge of Seller, threatened against Seller, the Selling Affiliate or the Company with respect to the Business other than those that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth on Schedule 5.08(b), the Company, the Business, the Selling Affiliate and Seller, in connection with the Business, are and have been at all times since September 1, 2009 in compliance in all material respects with all applicable Laws material to the operation of the Business.

(c) All Permits necessary to operate the Business, as currently conducted, in compliance with all applicable Laws are listed on Schedule 5.08(c). The Company, the Business, Seller and the Selling Affiliate, as applicable, possess and are in compliance in all material respects with all Permits necessary for the conduct of the Business as currently conducted.

(d) There are no Proceedings pending or, to the Knowledge of Seller, threatened, and neither Seller nor the Selling Affiliate are aware of any circumstances, that would reasonably be likely to result in the revocation, cancellation or suspension of any Permits necessary to operate the Business as currently conducted, except such Permits the absence of which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Nothing in this Section 5.08(d) is intended to address any issue as to compliance with Law that is specifically addressed by the representations and warranties set forth in Sections 5.10(b), 5.12(d) or 5.13.

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Section 5.09. Contracts.

(a) List. Schedule 5.09(a) sets forth a list, as of the date of this Agreement, that includes: (i) each written third-party (non-Affiliate) Contract related to the Business to which Seller or the Selling Affiliate or the Company is a party or by which any of the Purchased Assets is bound that, in either case, involves the payment of more than US\$500,000 per year or which is otherwise material to the Business; and (ii) each written third-party (non-Affiliate) Contract related to the Business which materially limits Seller's or the Selling Affiliate's or the Company's freedom to engage in or compete with any Person or in any geographic area.

(b) Status. Except as set forth on Schedule 5.09(b), to the Knowledge of Seller, each Contract as listed on Schedule 5.09(a) is a valid and binding agreement and is in full force and effect and no notice of termination under, or notice of an election not to extend the term of, any such Contract has been given or received. None of Seller, the Selling Affiliate, the Company or, to the Knowledge of Seller, any other party thereto is in default or breach under the terms of any such Contract and no threat or claim of any such default has been made and is outstanding, excluding such defaults or breaches which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

Section 5.10. Real Property.

(a) Schedule 5.10(a) sets forth a complete list of (i) all material real property and interests in real property relating to or used in connection with the Business that are owned by Seller, the Selling Affiliate or the Company (individually, an "Owned Property" and, collectively, the "Owned Properties"), and (ii) all leases of real property relating to or used in connection with the Business to which Seller, the Selling Affiliate or the Company is a party involving annual payments in excess of US\$500,000 or which are otherwise material to the Business (including, for the avoidance of doubt, any leases in respect of offsite storage facilities currently used in connection with the Business) (individually, a "Real Property Lease" and, collectively, the "Real Property Leases" and, together with the Owned Properties, referred to herein individually as a "Seller Property" and collectively as the "Seller Properties"). The Seller Properties comprise all of the real property used in connection with the operation of the Business. With respect to each Owned Property, (i) Seller, the Company or the Selling Affiliate has good and indefeasible fee simple title to such Owned Property, free and clear of all Liens of any nature whatsoever other than Permitted Liens, (ii) except as set forth on Schedule 5.10(a), none of the Seller, the Company or the Selling Affiliate has leased or otherwise granted to any Person the right to use or occupy such Owned Property or any portion thereof and (iii) other than the rights of Purchaser pursuant to this Agreement, none of the Seller, the Selling Affiliate or the Company has granted any, and to the Knowledge of Seller there are no, outstanding options, rights of first offer or rights of first refusal to purchase such Owned Property or any portion thereof or interest therein. To the Knowledge of Seller, none of the Seller, the Company or the Selling Affiliate has received any written notice of any default or event that with notice or lapse of time, or both, would constitute a default by Seller, the Company or the Selling Affiliate under any of the Real Property Leases, which default or event has not been cured.

(b) Compliance. To the Knowledge of Seller, the real property listed on Schedule 5.10(a), and its continued use, occupancy and operation as currently used, occupied

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and operated, complies with all applicable building, zoning, subdivision and other land use and similar Laws with only such exceptions, individually or in the aggregate, as would not reasonably be expected to materially impair the continued use, occupancy and operation of such real property in connection with the Business as currently used and operated. Nothing in this Section 5.10(b) is intended to address any issues as to compliance with Environmental Laws, which are specifically addressed by the representations and warranties set forth in Section 5.13.

(c) Access and Egress. To the Knowledge of Seller, the means of access to and egress from the real property set forth on Schedule 5.10(a) (including the means of escape in case of emergency) are over either roads which have been adopted by the local authority and are maintainable at public expense or roads in respect of the use of which Seller and the Selling Affiliate and those deriving title under it to that real property have a permanent legal easement free from onerous or unusual conditions.

(d) Services. Each real property set forth on Schedule 5.10(a) is served by drainage, potable water, electricity and gas services sufficient for the operation or the Business as currently conducted.

(e) Improvements. All material improvements, buildings, structures, fixtures, building systems and equipment, and all components thereof (the "Improvements"), included in the Seller Property are in good condition and repair sufficient for the operation of the Business as currently conducted.

(f) Condemnation. There is no condemnation, expropriation or other proceeding in eminent domain pending or, to the Knowledge of Seller, threatened, affecting any Seller Property or any portion thereof or interest therein.

#### Section 5.11. Intellectual Property.

(a) List. Schedule 5.11(a) contains a complete and accurate list of (i) all Intellectual Property (including all Patents, Trademarks, Copyrights and Domain Names) which are material to the Business, which are Registered and which are owned by Seller, the Selling Affiliate or the Company (as the case may be), (such Intellectual Property, together with all Intellectual Property which is material to the Business, which is not Registered and which is owned by Seller, the Selling Affiliate or the Company (as the case may be), collectively, the "Owned Intellectual Property") and (ii) all agreements which are material to the Business (other than any agreements granting rights to use commercially available software and non-disclosure agreements granted in the ordinary course of business) under which Seller, the Selling Affiliate or the Company (as the case may be) are licensed or otherwise permitted to use the Intellectual Property of any third party (such Intellectual Property, together with the Intellectual Property that Seller, the Selling Affiliate or the Company (as the case may be) are licensed or otherwise permitted to use under agreements granting rights to use commercially available software and non-disclosure agreements granted in the ordinary course of business, collectively, the "Licensed Intellectual Property") (the Owned Intellectual Property, together with the Licensed Intellectual Property, collectively, the "Acquired Intellectual Property").

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(b) Except as set forth in Schedule 5.11(b), none of the Seller, the Company or the Selling Affiliate has licensed any Acquired Intellectual Property material to the Business to any third party other than pursuant to agreements with customers granted in the ordinary course of business and non-disclosure agreements granted in the ordinary course of business. Seller, the Selling Affiliate and the Company (as the case may be), and, to the Knowledge of Seller, all of their respective subcontractors, sub-licensees and counter-parties are in compliance in all material respects with all the agreements and licenses set forth in Schedule 5.11(a) and Schedule 5.11(b).

(c) Except as set forth in Schedule 5.11(c), to the Knowledge of Seller, no Person (other than Seller, the Company and the Selling Affiliate) has a right to receive a royalty or similar payment with respect to any Owned Intellectual Property. Schedule 5.11(b) contains a complete and accurate list of all licenses and other agreements (other than agreements with customers granted in the ordinary course of business) pursuant to which Seller, the Selling Affiliate or the Company (as the case may be) has a right to receive a royalty or similar payment with respect to any Acquired Intellectual Property material to the Business.

(d) Except pursuant to the agreements set forth in Schedule 5.11(b), agreements with customers granted in the ordinary course of business and non-disclosure agreements granted in the ordinary course of business, no Person (including any independent contractors or sub-licensees) other than Seller, the Company or the Selling Affiliate holds any rights in, or licenses to produce, support, maintain, modify, distribute, license, sub-license, sell, use in development or otherwise use, any of the Owned Intellectual Property material to the Business.

(e) Except as set forth in Schedule 5.11(e), no university, military, educational institution, research center, Governmental Authority, or other organization has sponsored research and development conducted in connection with the Business or has any claim of right to, ownership of or other Lien on any Owned Intellectual Property, except as, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(f) Except as, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, Seller, the Company and the Selling Affiliate have taken reasonable steps to protect their rights in the Acquired Intellectual Property (including reasonable steps to (1) use all patent, trademark, copyright, confidential, proprietary, and other intellectual property notices and legends prescribed by law, (2) execute appropriate confidentiality agreements with all officers, directors, employees and other Persons with access to Trade Secrets or other proprietary information included in the Acquired Intellectual Property and (3) establish, follow and cause all officers, directors, employees and other Persons with access to Trade Secrets and other proprietary information in the Acquired Intellectual Property to follow internal procedures for protecting the confidentiality thereof) and, to the Knowledge of Seller, no such rights have been lost, or are reasonably expected to be lost, through failure to act by Seller, the Company or the Selling Affiliate.

(g) Status. To the Knowledge of Seller: (i) no Product (or component thereof or process) used, sold or manufactured by Seller, the Company or the Selling Affiliate infringes or otherwise violates the valid and enforceable Patents of any other Person; and (ii) there are no restrictions that would materially impair the use of the Acquired Intellectual Property in



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connection with the Business as currently conducted, and the use of the Acquired Intellectual Property in connection with the Business as currently conducted does not infringe upon or otherwise violate the Intellectual Property of any other Person.

(h) Except as set forth in Schedule 5.11(h), there is no Proceeding pending and served upon Seller, the Company or the Selling Affiliate or, to the Knowledge of Seller, threatened, nor is any investigation pending or, to the Knowledge of Seller, threatened, with respect to, and to the Knowledge of Seller, none of Seller, the Company or the Selling Affiliate has been notified of, any possible violation of, conflict with or infringement of, the Intellectual Property of any Person by Seller, the Company or the Selling Affiliate or by any of their Products or services provided in connection with the Business and, to the Knowledge of Seller, no valid basis for any pending suits, claims, actions, or proceedings exists. Except as set forth in Schedule 5.11(h), no Proceedings are pending and served upon Seller, the Company or the Selling Affiliate or, to the Knowledge of Seller, have been threatened against Seller, the Company or the Selling Affiliate that challenge the validity, ownership or use of any Acquired Intellectual Property and, to the Knowledge of Seller, no Person is infringing upon the Acquired Intellectual Property. Except as set forth in Schedule 5.11(h), there are no Proceedings raised or served or under active investigation by Seller or the Selling Affiliate against any third party (including any customer of Seller or the Selling Affiliate) related to the Acquired Intellectual Property, including but not limited to any Proceedings regarding ownership or use of the Acquired Intellectual Property.

(i) No Inventions. As of the date of this Agreement, to the Knowledge of Seller, neither Seller nor the Selling Affiliate holds any Intellectual Property rights (other than the Intellectual Property rights in the Acquired Intellectual Property), or engages in or contributes to the research, development or acquisition of Intellectual Property rights, which rights are, or are intended to contribute to the invention or development of products, processes or improvements which are, competitive with the Business or Products or intended to serve as substitutes for Products or processes that are the subject of the Acquired Intellectual Property.

#### Section 5.12. Employee Plans.

(a) Identification. Schedule 5.12(a) sets forth a true and complete list of each Employee Plan.

(b) Documentation. Copies of the following materials have been delivered or made available to Purchaser with respect to each Employee Plan (in each case if applicable): (i) the current plan document, (ii) the most recent determination letter or opinion letter issued by the IRS and (iii) the current summary plan description and most recent annual report.

(c) U.S. Plan Qualification. Each U.S. Employee Plan intended to be qualified under Section 401(a) of the Code has been determined by the IRS to be so qualified, and each trust created thereunder has been determined by the IRS to be exempt from tax under the provisions of Section 501(a) of the Code, and to the Knowledge of Seller, nothing has occurred since the date of any such determination that could reasonably be expected to give the IRS grounds to revoke such determination.

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(d) Compliance. (i) Seller and the Selling Affiliate and the Company are in compliance in all material respects with all provisions of Laws applicable to the Employee Plans and (ii) each Employee Plan is being operated in compliance in all material respects with its terms.

(e) Certain Types of Plans. Except as set forth on Schedule 5.12(e), no U.S. Employee Plan is a "defined benefit plan" as defined in Section 3(35) of ERISA that is subject to Title IV or Section 302 of ERISA or Section 412 of the Code, a "multiemployer plan" as defined in Section 3(37) of ERISA or a "multiple employer plan" within the meaning of Section 210(a) of ERISA or Section 413(c) of the Code.

(f) Parachute Payments. Except as set forth on Schedule 5.12(f), neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby (either alone or in combination with another event) will (i) result in any payment becoming due to any Business Employee, (ii) increase any benefits otherwise payable under any Employee Plan or (iii) result in the acceleration of the time of payment or vesting of any such benefits under any Employee Plan. None of the compensation payable under any Employee Plan will constitute an "excess parachute payment" under Section 280G of the Code by reason of the consummation of the transactions contemplated by this Agreement (either alone or in combination with another event).

Section 5.13. Environmental Matters.

(a) Except as set forth on Schedule 5.13(a):

(i) the Company, the Business, the Selling Affiliate and Seller, in connection with the Business, are currently, and have been at all times since September 1, 2009, in compliance in all material respects with all applicable Environmental Laws and all Permits required pursuant to Environmental Laws;

(ii) a list of all Permits required for the Business and for the Purchased Assets pursuant to Environmental Laws is set forth on Schedule 5.08(c);

(iii) none of Seller, the Company or the Selling Affiliate is a party to any pending Environmental Claim regarding the Business or the Purchased Assets or has received written notice of any threatened Environmental Claim regarding the Business or the Purchased Assets;

(iv) to the Knowledge of Seller, there are no facts, circumstances or conditions that would reasonably be expected to form the basis of any Environmental Claim against or affecting the Business that would reasonably be expected to result in Losses in excess of \$500,000;

(v) none of Seller, the Company or the Selling Affiliate has entered into or is subject to any outstanding ruling, injunction, judgment, decree or other order (whether preliminary, temporary or permanent) under any Environmental Law regarding the Business or the Purchased Assets;

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(vi) there has not been a Release in, on, at, under or from any Owned Property or any property currently leased or operated by Seller, the Company or the Selling Affiliate in connection with the Business that would reasonably be expected to require investigation or remediation under any Environmental Law that would reasonably be expected to result in Losses in excess of \$100,000; and

(vii) Seller has provided to Purchaser true and complete copies of all material environmental audits, reports and assessments related to the past or current operations and any Seller Properties, in each case, which are in its possession or under its reasonable control.

(b) Limitation. Notwithstanding any other representation or warranty contained in this Agreement, the representations and warranties contained in this Section 5.13 constitute the sole and exclusive representations and warranties of Seller relating to the Environment, Environmental Laws, Environmental Liability, Environmental Claims, Permits issued pursuant to Environmental Laws, Special Environmental Liabilities, Retained Environmental Liabilities, Releases or Hazardous Materials.

Section 5.14. Labor Matters.

(a) Business Employees. Schedule 5.14(a) sets forth all (i) Business Employees and (ii) contractors whose engagement is material to the Business, engaged in the Business as of the date hereof, including for each such Business Employee or contractor, as applicable: name, job title, work location, current compensation or contractor fee paid or payable and, where applicable, visa and greencard application status.

(b) Events. During the twenty-four (24) months ending on the date of this Agreement, neither Seller nor the Selling Affiliate has experienced any labor strike, work stoppage or slowdown, lockout or similar labor disputes, unfair labor practice charges, arbitrations, material grievances, unfair employment practice charges or complaints, or other material claims or complaints with respect to any Business Employee, and, to the Knowledge of Seller, no such event is threatened against Seller or the Selling Affiliate as of the date of this Agreement with respect to any Business Employee. No labor organization or group of Business Employees has made a pending demand for recognition, and there are no representation proceedings or petitions seeking a representation presently pending or, to the Knowledge of Seller, threatened to be brought or filed with the National Labor Relations Board or other labor relations tribunal. There is no organizing activity involving the Business Employees pending, or to the Knowledge of Seller, threatened by any labor organization or group of Business Employees.

(c) Compliance. The Company, the Business, and Seller and the Selling Affiliate with respect to the Business, are in compliance in all material respects with all laws governing the employment of labor, including but not limited to, all contractual commitments and all such laws relating to wages, hours, collective bargaining, discrimination, immigration, civil rights, safety and health, workers' compensation and the collection and payment of withholding and/or social security and similar taxes.

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(d) Agreements. Schedule 5.14(d) sets forth each collective bargaining agreement with any labor organization that may apply to any Business Employee.

Section 5.15. Finders' Fees. Except for Goldman, Sachs & Co. and JPMorgan Chase & Co., whose fees will be paid by Seller, there is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Seller, the Company or the Selling Affiliate that might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement.

Section 5.16. Furniture and Equipment.

(a) Furniture and Equipment. Each material item of Furniture and Equipment is in good repair and condition (subject to fair wear and tear), is in satisfactory working order and has been properly serviced and maintained as needed by the Business.

(b) R&D. The Excluded Assets do not contain any items of research and development which are material to the Business.

Section 5.17. Taxes.

(a) (i) All Tax Returns required to be filed by or with respect to Seller, the Selling Affiliate or the Company in connection with the Purchased Assets have been duly and timely filed; (ii) all such Tax Returns are true, complete and correct in all material respects; (iii) all Taxes owed by Seller, the Selling Affiliate or the Company, or for which Seller, the Selling Affiliate or the Company is liable, in connection with the Purchased Assets, that are or have become due and payable on or prior to the Closing Date have been timely paid in full except to the extent disputed in good faith by appropriate proceedings; and (iv) there are no Liens on any of the Purchased Assets that arose in connection with any failure (or alleged failure) to pay any Tax.

(b) There has been no claim asserted in writing by any Governmental Authority against Seller, the Selling Affiliate or the Company in connection with the Purchased Assets for any unpaid Taxes, and no assessment, deficiency or adjustment has been asserted, proposed or threatened in writing by any Governmental Authority with respect to any Tax Return of or with respect to Seller, the Selling Affiliate or the Company in connection with the Purchased Assets. No Tax audits or administrative or judicial proceedings are being conducted, are pending or have been threatened in writing by any Governmental Authority with respect to Seller, the Selling Affiliate or the Company in connection with the Purchased Assets.

(c) Seller is not a "foreign person" within the meaning of Section 1445 of the Code.

Section 5.18. Insurance. Schedule 5.18 sets forth a true, correct and complete list of all insurance policies of Seller and the Selling Affiliate related to the Business. Each such insurance policy is in full force and effect. All premiums with respect to such insurance policies have been paid on a timely basis, and no notice of cancellation or termination has been received with respect to any such policy. There are no pending claims against any such insurance policy by Seller or the Selling Affiliate as to which the insurer has denied coverage or otherwise reserved rights. The insurance coverage of Seller and the Selling Affiliate is reasonable in relation to the

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Business and is consistent with standard industry practice. Neither the Seller nor the Selling Affiliate has been refused any insurance with respect to the Business, nor has such coverage been limited, by any insurance carrier to which it has applied for such insurance.

Section 5.19. Products. None of Seller, the Selling Affiliate or the Company has received any written notice of any, and to the Knowledge of Seller there is no, pending or threatened Proceeding by any Governmental Authority or any other Person before any Governmental Authority alleging any defect in any Product or alleging any failure to warn by the Business or any breach of warranty or alleging death, personal injury or other injury to persons or property damages relating to or arising out of, directly or indirectly, use of or exposure to any Product (or any component thereof) sold, or services performed, by the Business, and there has not been, within the past three (3) years, any product recall conducted with respect to any Product, in each case, which resulted, or would reasonably be expected to result in, liabilities or costs in excess of \$100,000.

Section 5.20. Customers and Suppliers. Schedule 5.20 sets forth a true and correct list of (a) the ten largest customers of the Business and (b) the ten largest suppliers of the Business, in each case, during the year ended September 30, 2010. Except as disclosed on Schedule 5.20, to the Knowledge of Seller, no customer or supplier listed on Schedule 5.20 has canceled or otherwise terminated its relationship with the Business, or decreased or limited its purchases from or sales to the Business, in each case, in such a manner as would materially adversely affect the operations of the Business.

Section 5.21. Prohibited Payments. Neither Seller in connection with the Business, nor the Selling Affiliate, nor the Company, nor any of their respective directors, officers or employees, nor, to the Knowledge of Seller, any of their respective agents, distributors or any other Persons associated with or acting on behalf of Seller in connection with the Business, the Selling Affiliate or the Company has (i) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA") or Japanese equivalent, violated or is in violation of any other equivalent or similar applicable Law enacted in any jurisdiction or (iii) made, offered to make, promised to make or authorized the payment or giving of, directly or indirectly, any bribe, rebate, payoff, influence payment, kickback or other unlawful payment or gift of money or anything of value for the purpose of influencing any act or decision of such payee, inducing such payee to do or omit to do anything in violation of his lawful duty, securing any improper advantage or inducing such payee to use his influence with a government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality (any such payment, a "Prohibited Payment"). Neither Seller in connection with the Business, nor the Selling Affiliate, nor the Company, nor any of their respective directors, officers, employees, significant shareholders, subsidiaries or Affiliates, nor, to the Knowledge of Seller, any of their respective agents, distributors or any other Persons associated with or acting on behalf of Seller in connection with the Business, the Selling Affiliate or the Company, has been subject to any investigation by any Governmental Authority with regard to any actual or alleged Prohibited Payment or violation of any applicable anti-corruption Law. No directors, officers, employees or agents of the Business are government officials.

Section 5.22. Sanctions. Neither Seller in connection with the Business, nor the Selling Affiliate, nor the Company, nor any of their respective directors, officers or employees, nor, to

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the Knowledge of Seller, any of their respective agents, distributors or any other Persons associated with or acting on their behalf or on behalf of the Business, directly or indirectly, (i) has conducted or conducts any business with any government or Governmental Authority, Person, entity or project that is subject to any sanctions administered by the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC"), the U.S. Department of State, the United Nations, the European Union or the government of Japan (collectively, "Sanctions") or (ii) has violated or is in violation of, or has been or is subject to, any government investigation with respect to any Sanctions.

Section 5.23. Related Party Transactions. Except as set forth on Schedule 5.23, following the consummation of the transactions contemplated hereby, neither Seller nor any of its controlled Affiliates will (a) own, directly or indirectly, on an individual or joint basis, any material interest in any customer, competitor or supplier of the Business, or any organization that is a party to any Assigned Contract, or (b) be a party to any Assigned Contract.

Section 5.24. Corporate Split. As at the Closing Date, the Corporate Split has been completed in accordance with the Corporate Split Agreement in all respects.

Section 5.25. Non-Tantalum Inventory. As of the Closing, the Purchased Assets and the Japan Assets, in the aggregate, will include all Non-Tantalum Inventory necessary to operate the Business as currently conducted.

Section 5.26. No Other Representations or Warranties. Except for the representations and warranties of Seller expressly set forth in this Article V (as modified by the Disclosure Schedule), neither Seller nor any other Person makes any other express or implied representation or warranty on behalf of Seller with respect to Seller, the Selling Affiliate, the Company, the Business, the Purchased Assets, the Assumed Liabilities, the Japan Assets, the liabilities to be assumed by the Company in accordance with the Corporate Split (the "Japan Liabilities") or the transactions contemplated by this Agreement, including, without limitation, any implied warranties of merchantability or implied warranties of suitability or fitness for a particular purpose, any warranty, express or implied, as to the physical condition of any Purchased Asset or Japan Asset, any warranty regarding any financial projections or other forward-looking statements or the future profitability or success of the Business or the collectibility of any accounts receivable, in each case relating to the Shares, the Purchased Assets, the Japan Assets or the Business.

## **ARTICLE VI**

### **REPRESENTATIONS AND WARRANTIES OF PURCHASER**

Purchaser represents and warrants to Seller as follows:

Section 6.01. Organization, Power and Authorization; Binding Effect.

(a) Organization and Power. Purchaser has been duly organized, is validly existing and is in good standing under the Laws of Australia and has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. Guarantor has been duly organized, is validly existing and is in good standing under the Laws of Australia and

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has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder.

(b) Authorization. This Agreement has been duly and validly authorized, executed and delivered by Purchaser and Guarantor and no additional proceedings on the part of Purchaser or Guarantor are necessary to authorize the consummation of this Agreement or the transactions contemplated hereby.

(c) Binding Effect. This Agreement constitutes a valid and binding agreement of Purchaser and Guarantor, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

Section 6.02. Consents and Approvals. Except as set forth in Schedule 6.02 or as required by the HSR Act or any applicable Competition Law, the execution, delivery and performance by Purchaser and Guarantor of this Agreement and the consummation of the transactions contemplated hereby do not require Purchaser or Guarantor to obtain any consent, approval, waiver or authorization from, or to give any notice or filing to, any Government Authority or other Person, other than where the failure to obtain any such consent, approval, waiver or authorization, or to give or make such notice or filing, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on, or to materially impair or delay, the ability of Purchaser or Guarantor to effect the Closing.

Section 6.03. Noncontravention. The execution, delivery and performance by Purchaser and Guarantor of this Agreement and the consummation of the transactions contemplated hereby do not and will not (a) violate the Organizational Documents of Purchaser or Guarantor, (b) assuming compliance with the matters referred to in Section 6.02, violate any applicable Law, or (c) conflict with, result in a breach of or constitute a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of Purchaser or Guarantor or to any loss of any benefit to which it is entitled under, any provision of any Contract binding upon Purchaser or Guarantor (in any such case, whether after the giving of notice or lapse of time or both) other than, in the case of clauses (b) and (c), any violation, conflict, breach, default, termination, cancellation, acceleration or loss that, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on, or to materially impair or delay, the ability of Purchaser or Guarantor to effect the Closing.

Section 6.04. Litigation. There is no action, suit, investigation or proceeding pending or, to the Knowledge of Purchaser, threatened against Purchaser or Guarantor or any of their properties before any Governmental Authority that in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement.

Section 6.05. Financial Ability to Perform. Attached hereto as Exhibit P are true and complete copies of one or more firm commitment letters (the "Commitment Letters") evidencing that Purchaser will have sufficient funds available to make timely payment of the Initial Purchase Price, any expenses incurred by Purchaser in connection with the transactions contemplated by this Agreement and any other amounts to be paid by Purchaser in connection herewith. Such Commitment Letters have been duly and validly authorized and delivered by Purchaser and the

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counterparties thereto and are in full force and effect. There are no conditions precedent or other contingencies related to the funding of the full amount of such financing contemplated by the Commitment Letters except as expressly set forth therein. Purchaser has accepted the fee letter referenced in the Commitment Letters. The Commitment Letters may not be modified in any material respect without the consent of Seller. Purchaser's obligations hereunder are not subject to any conditions regarding Purchaser's ability to obtain financing for the consummation of the transactions contemplated herein.

Section 6.06. Finders' Fees. Except for any fees which will be paid by Purchaser or Guarantor, there is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Purchaser or Guarantor who might be entitled to any fee or commission from Seller or any of its Affiliates upon consummation of the transactions contemplated by this Agreement.

Section 6.07. Condition of the Business. Purchaser acknowledges that Purchaser and Guarantor have conducted to their satisfaction their own independent investigation of the Purchased Assets and the Business and, in making the determination to proceed with the transactions contemplated by this Agreement, Purchaser and Guarantor have relied on the results of their own investigation. Purchaser acknowledges that all other representations and warranties that Seller or anyone purporting to represent Seller gave or might have given, or which might be provided or implied by applicable Law or commercial practice, with respect to the Purchased Assets or the Business, are hereby expressly excluded. Purchaser acknowledges that neither Seller nor any other Person on Seller's behalf has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Purchased Assets, the Japan Assets, the Business or the transactions contemplated by this Agreement not expressly set forth in Article V.

## ARTICLE VII

### COVENANTS OF SELLER

Section 7.01. Corporate Split Procedure. From the date hereof until the Closing Date, Seller shall, and shall cause the Selling Affiliate to take all steps reasonably necessary to carry out and implement the Corporate Split in accordance with the terms set forth in the Corporate Split Agreement. Seller or the Selling Affiliate shall obtain Purchaser's prior written consent in each instance to effectuate any revisions to the Corporate Split Agreement, which consent Purchaser shall not unreasonably withhold.

Section 7.02. Conduct of the Business.

(a) From the date hereof until the Closing Date, except as set forth on Schedule 7.02(a), Seller shall, and shall cause the Selling Affiliate to, conduct the Business in the ordinary course of day-to-day conduct of the Business including in relation to the nature, scope or manner of conducting the Business and shall deal with the payment of creditors and collection of debtors of the Business in accordance with the policies which have been applied during the financial period ended on the Balance Sheet Date. Without limiting the generality of the foregoing, from the date hereof until the Closing Date, except (w) as required by applicable Law,



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(x) as set forth on Schedule 7.02(a), (y) as contemplated by this Agreement, and (z) as may be consented to by Purchaser (such consent not to be unreasonably withheld, conditioned or delayed), Seller shall not, and shall not permit the Selling Affiliate to, do any of the following in connection with the Business:

(i) sell, lease, license or otherwise dispose of any Purchased Assets, Shares or Japan Assets except in any such case (A) pursuant to existing Contracts or (B) otherwise in the ordinary course of business;

(ii) approve or commit to make any new capital expenditures that are not provided for in the approved budget as disclosed in Schedule 7.02(a)(ii), other than any capital expenditures made in order to comply with applicable health, safety, Environmental or other Laws or the Business's health, safety and environmental policies;

(iii) cancel or compromise any material debt or claim or waive or release any material right of Seller or the Selling Affiliate or the Company that constitutes a Purchased Asset or Japan Asset, except with respect to trade debts in the ordinary course of business that does not exceed in aggregate \$250,000 in value;

(iv) grant a material compensation increase (including cash-based and equity-based compensation) to any Business Employee (other than merit or cost of living increases in the ordinary course of business consistent with past practice) or modify or amend any Employee Plan in any way that materially increases the amount of the liability attributable to Seller or the Selling Affiliate in respect of any Business Employee under such Employee Plan;

(v) subject any of the Purchased Assets or Japan Assets to any Lien, except for Permitted Liens;

(vi) enter into, terminate or materially modify any labor or collective bargaining agreement;

(vii) with respect to the Business, (A) extend an offer of employment to or hire any person or (B) amend the terms and conditions of employment or pension benefits of any employee in a manner which is material in the context of the total remuneration package of such employee, in either case other than where the total remuneration payable in connection with such employment does not exceed US\$75,000 (or its equivalent) or with the prior written consent of Purchaser, which consent shall not be unreasonably withheld or delayed; provided that Seller or the Selling Affiliate may replace a retiring employee or employee on sick or disability leave with another employee or consultant on substantially similar terms to such employee;

(viii) incur any indebtedness for money borrowed from an unaffiliated third party;

(ix) enter into, continue or solicit discussions or negotiations with, or provide any information to or otherwise assist, any third party who may be interested in acquiring, directly or indirectly, the Business or any material part of it;

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(x) enter or offer to enter into any contract that involves the payment of more than US\$500,000 per year or is otherwise material to the Business (other than as a result of the acceptance of any existing tender) except where such contract permits assignment to Purchaser either without consent or if only with consent then on terms that such consent cannot be unreasonably withheld, conditioned or delayed;

(xi) permit any of its insurances to lapse, without renewal on usual and comparable terms, or do anything which would make any policy of insurance void or voidable;

(xii) except as otherwise permitted pursuant to Section 7.02(a), take any action that would materially adversely affect the rights of Seller or its Affiliates in the Acquired Intellectual Property in any material respect; or

(xiii) agree to do anything prohibited by this Section 7.02(a).

(b) From the date hereof until the Closing Date, except as set forth in Schedule 7.02(a), Seller shall, and shall cause the Selling Affiliate to:

(i) maintain the Seller Properties, including all Improvements, in substantially the same condition as of the date of this Agreement, ordinary wear and tear excepted, and not demolish or remove any of the existing Improvements;

(ii) not make or agree to any material alteration to any of the Assigned Contracts; and

(iii) keep Purchaser informed as to all material developments in the operation of the Business.

**Section 7.03. Access.**

(a) From the date hereof until the Closing Date or the earlier termination of this Agreement in accordance with its terms, subject to the confidentiality obligations of Purchaser set forth herein and in the Confidentiality Agreement, and subject to the limitations set forth in Section 7.03(b), Seller shall (i) give Purchaser and Purchaser's Representatives reasonable access, during normal business hours and upon reasonable advance notice, to the offices, properties, and books and records of Seller, the Company and the Selling Affiliate to the extent relating to the Business (which books and records shall include, without limitation, the books and records evidencing the compliance of Seller and the Selling Affiliate with the Protocol as it applies to the Business) and (ii) furnish to Purchaser and Purchaser's Representatives such financial and operating data and other information in Seller's possession relating to the Business as Purchaser may reasonably request; provided, however, that neither Purchaser nor any Purchaser Representative will have the right to perform any investigative procedures that involve physical disturbance or damage to the real property of Seller or its Affiliates (including any environmental sampling or testing at such real property) or any of the other assets of the Business without Seller's prior written consent. Any investigation pursuant to this Section 7.03 shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of Seller, the Selling Affiliate or any of their respective Affiliates.

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(b) Nothing in this Agreement will impose obligations on Seller, the Selling Affiliate or any of their respective Affiliates to give Purchaser or any Purchaser Representative access to information if such access could reasonably be expected to cause Seller, the Selling Affiliate or any of their respective Affiliates to be in breach of any duty of confidence or any other duty or obligation under applicable Law (including antitrust and Competition Laws and Laws affecting privacy, personal information and the collection, handling, storage, processing, use or disclosure of data); provided, however, that Seller shall, and shall cause the Selling Affiliate and each of their respective controlled Affiliates to, (i) use reasonable efforts to obtain consent to disclose information covered by a confidentiality agreement or other duty of confidence and (ii) disclose competitively sensitive information to the Purchaser's external legal advisers pursuant to a common interest or joint defense agreement entered into by and between Seller and Purchaser.

(c) Confirmation of Tantalum Inventory and Non-Tantalum Inventory.

(i) During the week prior to the Closing, Seller shall provide Purchaser with a copy of the report relating to its most recent physical inspection of the Business's Tantalum Inventory and Non-Tantalum Inventory (including, for the avoidance of doubt, any Tantalum Inventory or Non-Tantalum Inventory of the Business contained in offsite storage facilities) and all relevant documentation bringing the inventory levels set forth therein forward to (A) the date of such delivery and (B) the anticipated Closing Date (such Tantalum Inventory, the "Closing Tantalum Inventory", and such Non-Tantalum Inventory, the "Closing Non-Tantalum Inventory"). Such report shall identify and quantify in a reasonable level of detail each subcategory comprising the definition of Minimum Tantalum Inventory and Minimum Non-Tantalum Inventory and shall be accompanied by a certification of such Closing Tantalum Inventory and Closing Non-Tantalum Inventory by an executive officer of Seller.

(ii) If the Closing Tantalum Inventory is less than the Minimum Tantalum Inventory, then Seller shall, as soon as reasonably practicable but in no event later than six (6) months after the Closing Date, deliver to Purchaser an amount of Tantalum Inventory equal to:

(A) in the case of a shortfall in tantalum ore,  $K_2TaF_7$  and scrap, such shortfall from a source specified as "non-conflict" and

(B) in the case of a shortfall in any of (i) capacitor powder, work in progress and finished goods, (ii) mill work in progress, finished goods and scrap or (iii) tantalum trays, such amount of tantalum ore,  $K_2TaF_7$  and scrap from a source specified as "non-conflict" as is necessary for the Business to produce the shortfall in the ordinary course, and Seller shall pay Purchaser an amount equal to the aggregate cost to the Business to produce such shortfall (calculated on the basis of the aggregate weighted average conversion cost per pound incurred by the Business to produce each type of the shortfall in the three (3) months prior to the Closing Date) from the tantalum ore,  $K_2TaF_7$  and scrap delivered by Seller.

(iii) If the Closing Non-Tantalum Inventory is less than the Minimum Non-Tantalum Inventory, then Seller shall, within five (5) Business Days after the Closing

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Date, pay to Purchaser by wire transfer of immediately available funds cash in an amount equal to such shortfall calculated by reference to book value in accordance with GAAP and on a basis consistent with past practice.

Section 7.04. Restrictive Covenants.

(a) Noncompetition. For a period of three (3) years from the Closing Date, Seller shall not, and Seller shall cause Seller's controlled Affiliates not to, directly or indirectly, without the prior written consent of Purchaser (i) produce, market, sell, lease or develop anywhere in the world any tantalum or niobium powder or fabricated products or alloys having a principal component consisting of tantalum or niobium metal or any other metal powders suitable for use in capacitor anodes and sputtering targets, (ii) induce or attempt to induce any person, who is at Closing or has been at any time within the twelve (12) months prior to Closing a supplier of goods or services to the Business, to cease to supply, or to restrict or vary the terms of supply, to the Business or (iii) do or say anything that is harmful to the reputation of the Business or that could lead a Person to cease to deal with the Business on substantially equivalent terms to those previously offered or at all (the "Competitive Activities").

(b) Exceptions. Notwithstanding the foregoing, this Section 7.04 shall not be deemed breached as a result of the ownership by Seller or any of its controlled Affiliates of: (i) less than ten percent (10%) of any class of stock of a Person engaged, directly or indirectly, in Competitive Activities; (ii) less than ten percent (10%) of the aggregate value of all Indebtedness of a Person engaged, directly or indirectly, in Competitive Activities; or (iii) all or a portion of a Person that engages, directly or indirectly, in Competitive Activities if such Competitive Activities account for less than ten percent (10%) of such Person's consolidated annual revenues, provided that if, at the time of Seller's or its controlled Affiliate's acquisition of ownership of all or a portion of such a Person, such Person derives ten percent (10%) or more of its consolidated annual revenues from Competitive Activities, then Seller or such Affiliate, as applicable, shall have twelve (12) months following such acquisition to cause to be divested a portion of such Person's business such that, immediately following such divestiture, Competitive Activities account for less than ten percent (10%) of such Person's consolidated annual revenues, in which case this Section 7.04 shall not be deemed breached by such ownership.

(c) Nonsolicitation. For a period of three (3) years from the Closing Date (the "Non-solicitation Period"), Seller shall not, and shall cause Seller's controlled Affiliates (including the Selling Affiliate) not to, directly or indirectly, without the prior written consent of Purchaser, (i) solicit, influence, entice or encourage any Transferred Employee who received cash compensation from Seller or the Selling Affiliate or any other Affiliate of Seller in excess of \$75,000 (or its equivalent) during 2010 or whose job title is "manager", "director" or equivalent to cease to curtail his or her relationship with Purchaser or any of its Affiliates or (ii) hire or attempt to hire, whether as an employee, consultant or otherwise, any such Transferred Employee; provided, however, that (1) if any such Transferred Employee responds to any general public advertisement placed or general solicitation undertaken by Seller or the Selling Affiliate or any other Affiliate of Seller, such advertisement or general solicitation shall not itself constitute a breach of this Section 7.04(c) and (2) this Section 7.04(c) shall not apply to any Transferred Employee whose employment is involuntarily terminated by Purchaser or its Affiliates.

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Section 7.05. Insurance.

(a) From the date of this Agreement until the Closing, Seller shall ensure that all policies of insurance relating to the Business or any of the Purchased Assets in force as of the date of this Agreement (the "Current Insurance Policies") are kept in force. In the event that Seller shall become aware of any fact, event or circumstance (other than a fire or other casualty loss, which Seller shall address in accordance with Section 7.05(b)) arising after the date of this Agreement and prior to the Closing in respect of which a claim may be made under the Current Insurance Policies, Seller shall (i) file a claim in respect of such event or circumstance and (ii) have such claim paid prior to the Closing. In the event that such a claim is not paid prior to the Closing, Seller shall pursue payment in respect of such a claim on behalf of Purchaser and Purchaser shall have the right to receive any payment made in respect of any such claim made prior to the Closing as, when and to the extent such claim is paid.

(b) In the event any Purchased Asset that is a tangible asset is destroyed or damaged, in whole or in part, by fire or other casualty prior to the Closing, then in lieu of making a claim in accordance with Section 7.05(a), Seller may repair or replace (with similar grade and quality) such damaged asset before the Closing Date and such repaired or replaced asset shall constitute a Purchased Asset, in which case Purchaser shall not have any right, claim or title to any insurance proceeds relating to such asset.

Section 7.06. Real Property. From and after the date hereof, Seller shall, and shall cause the Selling Affiliate to, use commercially reasonable efforts to assist Purchaser in obtaining, at or prior to Closing:

(a) (i) a commitment for an ALTA Owner's Title Insurance Policy (or other form of policy acceptable to Purchaser) for each Owned Property located in the United States (or an equivalent form of title assurance in accordance with local custom reasonably satisfactory to Purchaser for each parcel of Owned Property located outside the United States) issued by a title insurance company satisfactory to Purchaser (the "Title Company"), together with the documents referenced therein (the "Title Commitments"), and (ii) title insurance policies (which may be in the form of a mark-up of a pro forma of the Title Commitments) in accordance with the Title Commitments, insuring the Seller's or the Selling Affiliate's fee simple title to each Owned Property as of the Closing Date, with gap coverage from the named owner through the date of recording, in such amount as Purchaser reasonably determines to be the value of the property insured thereunder (the "Title Policies"), and including in each case an extended coverage endorsement insuring over the general or standard exceptions, ALTA Form 3.1 zoning (with parking and loading docks) and all other endorsements reasonably requested by Purchaser, in form and substance reasonably satisfactory to Purchaser;

(b) a survey for each Owned Property, dated no earlier than the date of this Agreement, prepared by a licensed surveyor satisfactory to Purchaser and conforming to 1999 ALTA/ACSM Minimum Detail Requirements for Urban Land Title Surveys, and certified to Purchaser and the Title Company, in a form reasonably satisfactory to each of such parties (the "Surveys"); and

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(c) a written consent (in form and substance reasonably satisfactory to Purchaser) for the transfer of each Real Property Lease from the landlord or other party whose consent thereto is required under such Real Property Lease (the "Lease Consents").

Purchaser and Seller shall bear all fees, costs and expenses equally with respect to obtaining the Title Commitments and Title Policies, including costs of removal of exceptions to the Title Policies.

Section 7.07. ITAR. Seller shall notify the Directorate of Defense Trade Controls (the "DDTC") by registered mail at least 60 (sixty) days prior to the Closing of the intended sale in accordance with Section 122.4(b) of the International Traffic in Arms Regulations, 22 .C.F.R. 120-130 ("ITAR") and within 5 (five) days after the Closing of the change in ownership in accordance with Section 122.4(a) of ITAR unless any of these notice requirements have been waived in writing by the DDTC. The Parties hereby acknowledge and agree to cooperate in good faith in addressing any concerns that DDTC may raise in connection with this Agreement and to use their respective reasonable best efforts to assure that Purchaser obtains a new ITAR registration.

Section 7.08. Confidentiality. From and after the Closing Date, for a period of three (3) years after the Closing Date, Seller agrees and agrees to cause the Selling Affiliate, to treat all confidential data, reports, records, processes, know-how and other information it has developed or has in its control or possession relating to the Business, whether or not marked as confidential or proprietary (the "Information"), as confidential and to not disclose, discuss or reveal such Information to a third party without the prior written consent of Purchaser, unless Seller or the Selling Affiliate are required by applicable Law or order of a Government Authority to disclose any such Information and Seller or Selling Affiliate have informed Purchaser of such requirement and given Purchaser a reasonable opportunity to contest such requirement or to seek a protective order or a stay of such disclosure order. Seller agrees to exercise all reasonable efforts to avoid the disclosure of such Information to any third party. The obligations in this Section 7.08 shall not apply to any portion of the Information:

- (a) which is or becomes, through no act or failure on Seller's or the Selling Affiliate's part, published information known on a non-confidential basis; or
- (b) which corresponds in substance to information hereafter furnished to Seller or the Selling Affiliate by others as a matter of right without restriction on disclosure; or
- (c) which is independently developed by or on behalf of Seller or the Selling Affiliate, without knowledge of the Information.

Section 7.09. Remediation Activities.

(a) Except as set forth in Section 7.09(b), from and after the Closing, Seller shall control all remedial actions and all negotiations with any Governmental Authority or any other Person in respect to all Environmental Claims that are subject to Seller's indemnification obligations under Section 12.03 with counsel, consultants or contractors selected by Seller (to be reasonably acceptable to Purchaser), provided that Seller shall (i) keep Purchaser reasonably informed as to the status of the foregoing, (ii) promptly provide Purchaser with any material non-privileged

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related information, documentation and correspondence, and (iii) exercise reasonable best efforts to consult with Purchaser prior to exchanges of material information or material negotiations with any Person (Purchaser to make itself reasonably available and without unreasonable delay as to same). Such remedial actions and negotiations shall be performed in a commercially reasonable manner, including, to the extent allowed or authorized by applicable Environmental Law or the Governmental Authority having jurisdiction over a remedial action, the use of applicable commercial and/or industrial remediation standards and institutional controls. Seller agrees that, in conducting any remedial action or seeking a particular remedy or agreed remediation standard, it shall not unreasonably interfere with Purchaser's business operations. Notwithstanding anything to the contrary contained herein, Seller shall not enter into any settlement or judgment, without Purchaser's prior written consent, such consent not to be unreasonably withheld, that would encumber or impose on the Business or the Purchased Assets any restriction or condition that would materially and adversely affect the Purchaser or the Business. Purchaser may comment on Seller's proposed remedial actions and may participate at its expense in any meetings or discussions with relevant Governmental Authorities, but Purchaser shall have no right to perform or participate in any aspect of any remedial actions performed or directed by Seller; provided, however, that Purchaser shall provide reasonable access to Seller and its environmental consultants to any property within the control of Purchaser that is subject to any remedial action obligation of Seller under this Agreement.

(b) Notwithstanding anything in Section 7.09(a), from and after the Closing, Purchaser shall control all remediation actions and all negotiations with any Governmental Authority or any other Person in respect to those Special Environmental Liabilities set forth on Schedule 7.09(b). For so long as Seller is required to indemnify Purchaser and the Purchaser Indemnified Parties for such Liabilities, Seller shall reimburse Purchaser for the reasonable costs associated with continued implementation of such remedial program within 60 days of receipt of invoices for any remedial work relating thereto. Any material changes to the existing remedial program relating to such Liabilities must be approved in writing by Seller, which approval may not be unreasonably withheld, conditioned or delayed. Purchaser shall provide copies of relevant non-privileged reports and submissions to Seller regarding such remediation activities.

(c) Upon completion of a remediation required under this Agreement, as evidenced by: (i) a "no further remediation" letter, or the substantial equivalent, in form and substance reasonably acceptable to Purchaser, from the Governmental Authority having jurisdiction over the location where the remediation has occurred; (ii) written confirmation, in form and substance reasonably acceptable to Purchaser, from the Governmental Authority exercising authority over Seller's remediation work, that the underlying conditions have been remedied; or (iii) written confirmation, in form and substance reasonably acceptable to Purchaser, from the relevant Person under any remediation agreement between Seller and/or Purchaser and the relevant Person, that the underlying conditions have been remedied, then Seller shall be forever released and discharged by Purchaser and all Purchaser Indemnified Parties from any further related remediation under this Agreement. In any event, Seller's remediation obligations with respect to the Special Environmental Liabilities shall cease at the termination of the indemnity period set forth in Section 12.06(g).

## ARTICLE VIII

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## COVENANTS OF PURCHASER

### Section 8.01. Confidentiality.

(a) Confidential Information Regarding the Business. Prior to the Closing Date and, if this Agreement is terminated without the Closing having occurred, after such termination, Purchaser will, and will cause its Affiliates and Purchaser's Representatives to, comply with the terms of the Confidentiality Agreement, dated January 20, 2011, by and between Purchaser and Seller (the "Confidentiality Agreement").

(b) Confidential Information Regarding Other Seller Businesses. Purchaser understands and agrees that Seller is making available to Purchaser, Purchaser's Affiliates and the respective representatives of Purchaser and its Affiliates (collectively, "Purchaser's Representatives") certain trade secrets and other information that is confidential, non-public and/or proprietary concerning the operations of Seller, its Affiliates and the Business. Purchaser acknowledges that Seller and its Affiliates could be irreparably damaged if any trade secrets or other information that is confidential, non-public or proprietary to Seller or any of its Affiliates that does not relate to the Business (the "Seller Information") was disclosed by Purchaser, its Affiliates or any Purchaser Representative to any Person and, from and after the Closing Date, for a period of three (3) years after the Closing Date, Purchaser will not, and will cause its Affiliates and each Purchaser Representative not to, at any time, without the prior written consent of Seller, disclose or use (or permit to be disclosed or used) in any way any such Seller Information (regardless of whether such Seller Information was obtained during the course of pursuing the transactions contemplated by this Agreement or following the Closing from a Transferred Employee), unless such Seller Information (i) was already in Purchaser's possession prior to Purchaser's entry into the Confidentiality Agreement; provided that such Seller Information is not known by Purchaser to be subject to another confidentiality agreement with or other obligation of secrecy to Seller or another party, (ii) becomes generally available to the public other than as a result of a disclosure by Purchaser, its Affiliates or any Purchaser Representative, or (iii) becomes available to Purchaser on a non-confidential basis from a source other than Seller, its Affiliates or any of their respective representatives; provided that such source is not known by Purchaser to be bound by a confidentiality agreement with or other obligation of secrecy to Seller or another party.

Section 8.02. Access. After the Closing, Purchaser will afford promptly to Seller and its Affiliates and their respective representatives reasonable access (with an opportunity to make copies), during normal business hours and upon reasonable notice, to Purchaser's and Purchaser's Affiliates properties, books, work papers, Contracts, personnel and records (whether in hard copy or computer format) relating to the Business as Seller shall reasonably request in order to comply with any applicable Laws; provided, however, that any such access by Seller shall not unreasonably interfere with the conduct of the Business by Purchaser. Seller shall promptly reimburse Purchaser for any and all out-of-pocket costs and expenses (excluding reimbursement for general overhead, salaries and employee benefits) actually incurred by Purchaser, any Affiliate of Purchaser or any Purchaser Representative in connection with the foregoing.



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Section 8.03. No Contacts with Certain Third Parties. From the date of this Agreement until the Closing, without Seller's prior written consent (which consent may not be unreasonably withheld, conditioned or delayed), Purchaser shall not, and Purchaser shall cause all of its Affiliates and Purchaser's Representatives not to, contact or communicate with any employees, consultants, landlords, customers, suppliers, licensors or distributors of Seller, any of Seller's Affiliates and/or the Business in connection with the transactions contemplated by this Agreement.

Section 8.04. Transfer Taxes. The party that is legally required to pay any transfer, documentary, sales, use, registration and other such Taxes (including all applicable real estate transfer Taxes) and related fees (including any penalties, interest and additions to Tax) arising out of or incurred in connection with this Agreement ("Transfer Taxes") shall pay such Taxes. The party that is legally required to file a Tax Return relating to Transfer Taxes shall be responsible for preparing and timely filing such Tax Return.

Section 8.05. Change of Directors. Purchaser shall, at the Closing or as soon as practicable after the Closing, (i) appoint its nominated directors of the Company and (ii) register the resignation of the directors of the Company nominated by Seller and the appointment of the new directors of the Company.

## **ARTICLE IX**

### **COVENANTS OF SELLER AND PURCHASER**

Section 9.01. Reasonable Best Efforts; Further Assurances.

(a) Purchaser and Seller shall cooperate and use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable to fulfill the conditions precedent to the other party's obligations and otherwise to consummate the transactions contemplated by this Agreement. Seller and Purchaser shall, and Seller shall cause the Selling Affiliate and the Company to, execute and deliver such other documents, certificates, agreements and other writings and take such other actions as may be necessary or desirable under applicable Law in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

(b) Without limiting the generality of the foregoing, Seller and Purchaser shall cooperate with one another (i) in determining whether any authorizations, actions, consents, approvals or waivers are required to be obtained from, or notices given to, parties to any material third-party (non-Affiliate) Contracts in connection with the transactions contemplated by this Agreement and (ii) in taking such commercially reasonable actions to obtain any such authorizations, actions, consents, approvals or waivers and to timely give any such notices, in each case, that are material to the operation of the Business. Purchaser shall be responsible for any expenses associated with obtaining any such authorizations, actions, consents, approvals or waivers, or the giving of any such notices, and none of the Seller, the Company or the Selling Affiliate will have any Liability for the failure to obtain any such authorization, action, consent, approval or waiver or to give any such notice. For the avoidance of doubt, Purchaser shall be responsible for payment of the filing fee, but each of Purchaser and Seller shall be responsible

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for any associated costs, including legal costs, relating to filing and obtaining consent, approval or waiver under the HSR Act.

Section 9.02. Governmental Authorities and Other Proceedings.

(a) General. Seller and Purchaser shall cooperate with one another in (i) determining whether any action in respect of (including any filing with), or consent, approval or waiver by, any Governmental Authority is required in connection with the consummation of the transactions contemplated by this Agreement (including in relation to the transfer, modification or reissuance of any Permit), (ii) taking any such actions (including making any filing or furnishing any information required in connection therewith) in order to obtain any such consent, approval or waiver on a timely basis and (iii) keeping the other party promptly informed in all material respects with respect to any communication given or received in connection with any such action, consent, approval or waiver, including providing to each other in advance any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted to a Governmental Authority by or on behalf of any party.

(b) Certain Filings. Each of Purchaser and Seller agrees to make all appropriate filings required by the HSR Act and any Competition Laws with respect to the transactions contemplated hereby as promptly as practicable and to supply as promptly as practicable any additional information and documentary material that may be requested pursuant to the HSR Act or any Competition Laws. Neither Purchaser nor Seller shall agree to any voluntary extension or delay of any statutory waiting period or withdraw its Notification and Report Form pursuant to the HSR Act unless such party first consults and reasonably considers the views of each other party hereto. No party hereto shall participate in any meeting with any Governmental Authority with respect to the HSR Act or any Competition Law as they relate to the transactions contemplated hereby (except in the case of Purchaser for any meetings between Purchaser and any Governmental Authority to discuss possible remedies), unless it consults with the other parties hereto in advance and, to the extent permitted by such Governmental Authority, gives such other parties the opportunity to attend and participate thereat.

(c) Purchaser's Efforts. Without limiting the provisions set forth in paragraphs (a) and (b) above, Purchaser shall use commercially reasonable efforts to obtain any consent, approval or waiver relating to the HSR Act or any Competition Law that is required for the consummation of the transactions contemplated by this Agreement. For the avoidance of doubt, if any administrative or judicial action or proceeding is instituted (or threatened to be instituted) challenging the transactions contemplated by this Agreement as violative of any Competition Law, or if any judgment or Law is enacted, entered, promulgated or enforced by a Governmental Authority that would make such transactions illegal or would otherwise prohibit or materially impair or delay the consummation of such transactions, Purchaser shall use commercially reasonable efforts to contest and resist in good faith any such action or proceeding and shall use commercially reasonable efforts to have vacated, lifted, reversed or overturned any judgment, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the transactions contemplated by this Agreement. Notwithstanding anything to the contrary contained in this Agreement, neither Purchaser nor its Affiliates shall be required to take any action that (i) involves divestiture of an existing business or any material assets of Purchaser or its Affiliates, including, after the Closing, the Business or any Purchased

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Assets, (ii) involves unreasonable expense, (iii) could reasonably be expected to materially impair the overall benefit expected to be realized from the consummation of the transactions contemplated by this Agreement or (iv) involves behavioral commitments or limits Purchaser's rights of ownership in any of its or its Affiliates' assets, or after the Closing, the Purchased Assets or any assets of the Business.

Section 9.03. Public Announcements. From the date of this Agreement through the Closing Date, each of Seller and Purchaser must obtain the prior written consent of the other party before issuing any press release or making any public statement with respect to this Agreement or the transactions contemplated hereby; provided, however, that, to the extent required by applicable Law or any listing agreement with any national securities exchange, Seller and Purchaser shall be permitted to issue any such press release or make any such public statement, including any such press release or public statement to be issued or made in connection with the parties' entry into this Agreement, without the prior written consent of the other party; provided further, however, that each of Purchaser and Seller and their respective Affiliates may make internal announcements regarding the transactions contemplated by this Agreement to their employees after reasonable consultation with Seller or Purchaser, as applicable.

Section 9.04. Certain Seller Intellectual Property. Neither Purchaser nor any of its Affiliates is purchasing, acquiring or otherwise obtaining any right, title or interest in the name "Cabot" or any Trademarks related thereto or employing any part or variation of any of the foregoing or any confusingly similar Trademarks (collectively, the "Certain Seller Intellectual Property"). Purchaser shall not, and shall cause its Affiliates not to, make use of any Certain Seller Intellectual Property from and after the Closing Date, whether in connection with the Business or otherwise; provided, that Purchaser shall have up to ninety (90) calendar days after the Closing Date in which to take all actions necessary to eliminate all uses of, and references to, the Certain Seller Intellectual Property in connection with the operation of the Business so long as the quality of the Products and services of the Business during such period is substantially similar to the quality of the Products and services of the Business as of the Closing Date.

Section 9.05. Notices of Certain Events.

(a) From the date of this Agreement until the Closing Date, each party shall promptly notify the other party of:

(i) any written notice or other written communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(ii) any written notice or other written communication from any Governmental Authority in connection with the transactions contemplated by this Agreement; and

(iii) any change or fact of which it is aware that will or is reasonably likely to result in any of the conditions set forth in Article XI becoming incapable of being satisfied.

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(b) Prior to the Closing, Seller may deliver to Purchaser a supplement or update to the Disclosure Schedule, and any such supplement or update shall not be considered for purposes of determining whether the condition set forth in Section 11.02(a) has been satisfied. To the extent that any such supplement or update refers to any matter arising after the date hereof and prior to the Closing that is necessary to be disclosed in order to make any representation or warranty correct when made as of the Closing, and Purchaser is required to consummate or consummates the transactions contemplated by this Agreement notwithstanding receipt by Purchaser of any such supplement or update from Seller, then notwithstanding such consummation and the occurrence of the Closing, Purchaser and the Purchaser Indemnified Parties shall have the right to indemnification hereunder after the Closing in respect of any such notified matter.

Section 9.06. No Support Services. Purchaser acknowledges and agrees that, except to the extent provided in the Transition Services Agreement, all support services and insurance coverages provided by Seller and its Affiliates to the Business will be terminated with respect to the Business, effective in each case as of the Closing Date.

Section 9.07. Excess Tantalum Inventory. Within ninety (90) days after the Closing Date, Purchaser shall purchase all of the Excess Tantalum Inventory (the amount of which shall be disclosed by Seller to Purchaser in writing on the Closing Date and identified on a "last in, first out" (LIFO) basis), in one or more transactions, at a price per pound to Purchaser equal to Seller's cost basis in such Excess Tantalum Inventory. Seller shall not, and shall cause its controlled Affiliates not to, sell any Excess Tantalum Inventory to any Person other than Purchaser or its Affiliates.

Section 9.08. Flame Synthesis Reactor. As promptly as practicable after the date hereof, Seller and Purchaser will evaluate the possibility of constructing a new flame synthesis reactor to recreate the Billerica Reactor. After completion of such evaluation, Purchaser may, in its sole discretion, (i) elect to construct a new flame synthesis reactor to recreate the Billerica Reactor or (ii) decline to construct a new flame synthesis reactor, in which case the Billerica Reactor will be a Purchased Asset and will be sold and transferred by Seller to Purchaser pursuant to this Agreement. If Purchaser elects to construct a new flame synthesis reactor, (i) the Billerica Reactor will be an Excluded Asset and will not be sold and transferred by Seller to Purchaser pursuant to this Agreement, (ii) the Closing Cash Consideration shall be reduced by the lesser of (A) the cost to construct the new flame synthesis reactor and (B) \$1,000,000 and (iii) Purchaser will have the right to continued use of the Billerica Reactor in connection with the Business as described in the Transition Services Agreement.

## **ARTICLE X**

### **EMPLOYEE BENEFITS**

Section 10.01. Collective Bargaining Agreements. Effective as of the Closing, Purchaser shall succeed to and assume all of the obligations of Seller and its Affiliates under the Collective Bargaining Agreements, and Purchaser shall indemnify the Seller Indemnified Parties against and in respect of any and all Losses actually incurred by any of the Seller Indemnified Parties relating to such obligations in accordance with the terms and conditions of Section 12.02.

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Section 10.02. Transfer of Employment.

(a) Prior to the Closing, Seller shall provide Purchaser with an updated Schedule 5.14(a) revised for new hires and employment terminations as of the date which is seven days prior to the Closing Date. Prior to the Closing, Purchaser shall deliver a written offer of employment to each Business Employee employed in the U.S. Business ("U.S. Business Employee") to commence employment with Purchaser immediately following the Closing. Each such offer of employment shall be for a position that is no less favorable than the position held by the U.S. Business Employee with Seller on the date such offer is made. Such U.S. Business Employees who accept such offer and commence employment with Purchaser are referred to herein as the "U.S. Transferred Employees." Nothing in this Article X shall entitle any U.S. Transferred Employee to continued employment with Purchaser following the Closing and shall not change any such U.S. Transferred Employee's "at-will" status.

(b) Purchaser shall honor the terms and conditions of the applicable Collective Bargaining Agreement and shall bargain in good faith with the applicable union in accordance with all applicable Laws. The employment of each Union Employee who becomes a U.S. Transferred Employee shall continue with Purchaser immediately following the Closing under the terms and conditions of the applicable Collective Bargaining Agreement. The provisions set forth in Sections 10.02(a), 10.03, 10.04, 10.05, and 10.08 shall not apply to a U.S. Transferred Employee who is a Union Employee.

Section 10.03. Continuation of Benefits and Compensation. Purchaser shall provide, or cause to be provided, to each of the U.S. Transferred Employees base salary and employee benefits (excluding any equity awards) that as of the Closing are comparable in aggregate value to those provided to such U.S. Transferred Employee immediately prior to the Closing.

Section 10.04. Benefit Plans. Purchaser shall, or shall cause an Affiliate to, recognize each U.S. Transferred Employee's service with Seller, the Selling Affiliate or any of their respective Affiliates or their respective predecessors as of the Closing as service with Purchaser for all purposes other than benefit accrual under applicable defined benefit pension plans under Purchaser's and its Affiliates' employee welfare benefit plans, employee retirement plans, vacation, disability, severance and other employee benefit and incentive plans or policies (the "Purchaser's Plans"). Purchaser shall, or shall cause an Affiliate to, waive any pre-existing condition limitations and eligibility waiting periods under the Purchaser's Plans (but only to the extent such pre-existing condition limitations and eligibility waiting periods were satisfied under the Employee Plans as of the Closing Date) and shall recognize (or cause to be recognized) the dollar amount of all expenses incurred by each U.S. Transferred Employee and his or her spouse and dependents during 2011 for purposes of satisfying the deductibles and co-payment or out-of-pocket limitations for such calendar year under the relevant Purchaser's Plans.

Section 10.05. Accrued Vacation. Purchaser shall, or shall cause an Affiliate to, credit each U.S. Transferred Employee with the accrued and unused vacation days to which the U.S. Transferred Employee is entitled through the Closing, and any personal and sickness days accrued by the U.S. Transferred Employee through the Closing, in each case to the extent reflected on the Financial Statements and as further accrued in the ordinary course through Closing.

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Section 10.06. COBRA Continuation Coverage. Purchaser shall have the sole responsibility for "continuation coverage" benefits provided after the Closing for all U.S. Transferred Employees and "qualified beneficiaries" of U.S. Transferred Employees for whom a "qualifying event" occurs on or after the Closing (including all qualifying events that occur in connection with the Closing). The terms "continuation coverage," "qualified beneficiaries" and "qualifying event" shall have the meanings ascribed to them under Section 4980B of the Code and Sections 601-608 of ERISA. Seller shall retain all obligations to provide continuation coverage relating to qualifying events occurring prior to the Closing Date.

Section 10.07. Workers' Compensation. Seller or the Selling Affiliate, as applicable, shall retain the obligation and Liability for any workers' compensation, occupational disease or illness, or similar workers' protection claims with respect to each Business Employee related to events occurring prior to the Closing Date regardless of when filed. Purchaser shall be responsible for any obligation and Liability for workers' compensation, occupational disease or illness, or similar workers' protection claims with respect to each U.S. Transferred Employee occurring on or after the Closing Date.

Section 10.08. Retirement Savings Plan. Effective as of the Closing Date, the active participation of each U.S. Transferred Employee in the Cabot Retirement Savings Plan shall cease. Effective as of the Closing Date or any subsequent date reasonably requested by Purchaser (but not later than the 60<sup>th</sup> day following the Closing Date), U.S. Transferred Employees shall be eligible to effect a "direct rollover" (as described in Section 401(a)(31) of the Code) of their account balances under the Cabot Retirement Savings Plan to a U.S. tax-qualified defined contribution plan of Purchaser or its Affiliates ("Purchaser DC Plan") in the form of cash. Seller and Purchaser shall take all actions necessary to permit such rollovers as soon as practicable after the Closing Date, including, without limitation, amendment of the Purchaser DC Plan to allow for direct rollovers of U.S. Transferred Employees, provided that Seller shall take all necessary action to vest each U.S. Transferred Employee in any unvested amounts in respect of their account balances as of the Closing Date.

Section 10.09. Retention Agreements. Schedule 10.09 contains a list of retention agreements between Seller and certain Business Employees ("Retention Agreements"), which have previously been provided to Purchaser. Effective as of the Closing, Purchaser or one of its Affiliates shall succeed to and assume each Retention Agreement with a Transferred Employee and all of the obligations and Liabilities of Seller thereunder for the Retention Incentives and Severance Payments described in the Retention Agreements.

Section 10.10. Severance Obligations. Effective as of the Closing, Purchaser or one of its Affiliates shall succeed to and assume all of the obligations and Liabilities of Seller and its respective Affiliates arising on or after the Closing Date for the payment or provision of any severance payments to be provided to a U.S. Business Employee (i) pursuant to the terms of any severance plan or agreement set forth on Schedule 10.10, or (ii) as otherwise required to be provided by applicable Law (together, "Severance Obligations").

Section 10.11. Unvested Amounts. Seller shall take all necessary action to vest the U.S. Transferred Employees in any unvested compensation or benefits accrued under the Employee

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Plans, including, without limitation, any equity-based awards, immediately prior to the Closing Date and shall pay or provide such compensation and benefits in accordance with the terms of such Employee Plans.

Section 10.12. WARN Act. Purchaser shall indemnify Seller for any Liability arising under the WARN Act or similar applicable Law arising after the Closing Date with respect to employees of the Business whose employment was terminated prior to the Closing Date; provided, however, that Purchaser shall not indemnify Seller for any Liability arising under the WARN Act which is incurred by Seller's own actions prior to the Closing Date without regard to any post-Closing actions of Purchaser. Seller shall provide Purchaser with a list of employees who performed services with respect to the Business whose employment was terminated 90 days prior to the Closing Date.

Section 10.13. Employee Communications. Seller and Purchaser shall cooperate in communications with U.S. Transferred Employees with respect to employee benefit plans maintained by Seller or Purchaser and with respect to other matters arising in connection with the transactions contemplated by this Agreement; provided, however, that from and after the Closing, nothing herein will restrict in any manner Purchaser's communications with any U.S. Transferred Employees.

Section 10.14. Japanese Defined Benefit Plan and Directors' Plan.

(a) As soon as practicable after the Closing but no later than twelve (12) months from the Closing, Purchaser shall cause the Company to establish a defined benefit plan (the "Company Benefit Plan") for the benefit of the Company's employees transferred from the Selling Affiliate to the Company pursuant to the Corporate Split Agreement ("Japanese Transferred Employees"). The terms and conditions of the Company Benefit Plan shall be consistent with the terms and conditions of the defined benefit plan that is presently sponsored by the Selling Affiliate and other Seller Affiliates in Japan (the "Japanese Benefit Plan") as of the Closing. For avoidance of doubt, the Japanese Benefit Plan consists of the Employees' Retirement Plan for Cabot Group.

(b) Purchaser shall cause the Company to become a co-sponsor in the Japanese Benefit Plan as of the Closing and remain such co-sponsor until the date the Company Benefit Plan is established (the "DB Transfer Date") in order that the Japanese Transferred Employees may remain participants under the Japanese Benefit Plan until the DB Transfer Date. The sole financial obligation of the Company during its period of co-sponsorship shall be to pay for the required employer contributions to the fund for benefits earned during the period beginning on the Closing Date and ending on the DB Transfer Date in relation to the Japanese Transferred Employees. The accrued liability in the Japanese Benefit Plan for the Japanese Transferred Employees as of the DB Transfer Date shall be assumed in the Company Benefit Plan from and after the DB Transfer Date. Seller and Purchaser shall direct Mizuho Trust Bank, as operating agent, to determine the ratio of actuarial obligations (*Suri-Saimu*) for the Japanese Transferred Employees to other subject employees in the Japanese Benefit Plan as of the Closing (the "Ratio"). Purchaser shall have the Company, and Seller shall have the Selling Affiliate and its other Affiliates in Japan, split funded assets in the Japanese Benefit Plan into the Company Benefit Plan and the Japanese Benefit Plan as of the DB Transfer Date based on the Ratio.

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(c) Seller shall instruct Towers Watson (the "Seller Actuary") to determine the Underfunded Pension Amount as of the DB Transfer Date. The "Underfunded Pension Amount" shall be the projected benefit obligation for the Japanese Transferred Employees as of the DB Transfer Date *minus* the fair value of the funded assets of the Japanese Benefit Plan as valued by the administrator of such plans as at the date of this Agreement (being Mizuho Trust Bank) for the Japanese Transferred Employees at the DB Transfer Date. With the exception of the discount rate, all actuarial valuation assumptions shall be the same as were used in the most recently completed actuarial valuation for year-end disclosure purposes under GAAP. The discount rate used in the most recently completed actuarial valuation for year-end disclosure purposes under GAAP shall be adjusted with any movement in the yield on Japanese government 10-year bonds between the valuation date and the month end preceding the DB Transfer Date. Each of the parties shall furnish, at its own expense, the Seller Actuary with such documents and other written information as the Seller Actuary may request in connection with determining the Underfunded Pension Amount (including without limitation the funded status of plans, cash flow, plan asset information, amortization amounts during the relevant period on which the valuation is based, plan provisions, membership data and asset information) and the chief financial officer of the party furnishing such information shall certify that such information is accurate and complete in all material respects as at the date of furnishing such information or the date otherwise expressly certified therein. The fees and expenses of the Seller Actuary will be borne by Seller.

(d) Seller shall instruct the Seller Actuary to deliver a certificate (the "Actuary Certificate") to Seller and Purchaser setting forth its determination of the Underfunded Pension Amount, together with the actuarial valuation report, actuarial assumptions and methods and supporting documentation, as promptly as practicable after the DB Transfer Date. Purchaser may appoint its own actuary (the "Purchaser Actuary") to review the Seller Actuary's calculations. Purchaser shall have ten (10) Business Days to review the Seller Actuary's calculations and respond in writing with any questions regarding the calculations. To the extent the Seller Actuary and the Purchaser Actuary cannot agree on a final Underfunded Pension Amount, a third party independent actuary (the "Third Party Actuary") shall be jointly appointed by Purchaser and Seller, the findings of whom shall be binding on both parties and the cost of whom shall be borne equally by Purchaser and Seller. Within ten (10) days after finalization of the Underfunded Pension Amount, Seller shall pay to Purchaser such Underfunded Pension Amount.

(e) At Closing, Seller will pay all obligations under the Cabot Supermetals Directors' Retirement Plan and any other retirement plan relating to the Japanese Transferred Employees other than the Employees' Retirement Plan for Cabot Group.

#### Section 10.15. Cooperation.

(a) Each of Purchaser and Seller recognize it to be in the best interests of the parties hereto and their respective employees that the transactions in this Article X be effected in an orderly manner and agree to devote their respective reasonable best efforts and to cooperate fully in complying with the provisions of this Article X. Without limiting the generality of the foregoing, each of the parties agree to execute, deliver and file all documents and to take all such



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actions as are reasonably necessary or desirable in order to carry out and perform the purposes of this Article X and to facilitate the transactions referred to in this Article X.

(b) Without limiting the generality of Section 10.14(a), Seller shall use its commercially reasonable efforts to cooperate with Purchaser promptly at its request for up to 90 days following the Closing Date in endeavoring to obtain the consent of any significant contractors of the Business immediately prior to Closing to have the Purchaser (or its Affiliates) engage such contractors in the Business from and after Closing.

Section 10.16. No Third Party Beneficiary or Employee Rights. Nothing in this Article X expressed or implied shall (a) create any third-party beneficiary or other rights in any employee or former employee (including any beneficiary or dependent thereof) of Seller, the Company or the Selling Affiliate or any other Person other than the parties hereto and their respective successors and permitted assigns, (b) constitute or create an employment agreement or (c) constitute or be deemed to constitute an amendment to any employee benefit plan sponsored or maintained by Seller, the Selling Affiliate, the Company, Purchaser or any of Purchaser's Affiliates.

## **ARTICLE XI**

### **CONDITIONS TO CLOSING**

Section 11.01. Conditions to Obligations of Purchaser and Seller. The obligations of Purchaser and Seller to consummate the Closing are subject to the satisfaction (or waiver to the extent permitted by applicable Law) of the following conditions:

(a) HSR Act; Competition Laws. All required filings under the HSR Act or any Competition Laws relating to the transactions contemplated hereby shall have been made and any applicable waiting periods under such Laws applicable to the transactions contemplated hereby shall have expired or been terminated and any approvals or clearances required under such Laws applicable to the transactions contemplated hereby shall have been obtained.

(b) No Order. No Governmental Authority of any competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law that is then in effect and has the effect of making the consummation of the Closing illegal or otherwise prohibiting the consummation of the transactions contemplated hereby.

(c) Consents. The consents set forth on Schedule 11.01(c) shall have been received and shall be in full force and effect.

(d) Corporate Split. The Business currently conducted by the Selling Affiliate shall have been transferred to the Company in accordance with the Corporate Split and all the other steps contemplated in Section 7.01 shall have been completed.

(e) Exon-Florio. Purchaser and Seller shall have obtained written notice from CFIUS that its review or investigation of the transactions contemplated hereby has been concluded and confirming that CFIUS will not object to the transactions contemplated hereby, or impose any conditions the acceptance of which would not be reasonably acceptable to Seller or Purchaser.

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Section 11.02. Conditions to Obligation of Purchaser. The obligation of Purchaser to consummate the Closing is subject to the satisfaction (or waiver to the extent permitted by applicable Law) of the following further conditions:

(a) Representations and Warranties. The representations and warranties of Seller contained in this Agreement (i) shall have been true and correct when made and (ii) shall be true and correct as of the Closing Date, with the same force and effect as if made as of the Closing Date (in each case of clauses (i) and (ii) other than such representations and warranties as are made as of another date, which shall be true and correct only as of such date), and in each case of clauses (i) and (ii) except where the failure of such representations and warranties, in the aggregate, to be so true and correct (without giving effect to any limitations or qualifications as to "materiality" (including the word "material") or "Material Adverse Effect" set forth therein) would not have a Material Adverse Effect.

(b) Agreements and Covenants. Seller shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) Permits. All Permits listed on Schedule 11.02(c) shall have been transferred, modified or reissued as necessary for Purchaser and its Affiliates to operate the Business in compliance with all applicable Laws as of the Closing Date.

(d) Washington University Sub-license. Seller shall have delivered to Purchaser a duly executed copy of the Washington University Sub-license.

(e) Closing Deliverables. The closing deliveries set forth in Section 4.02 shall have been delivered to Purchaser.

Section 11.03. Conditions to Obligation of Seller. The obligation of Seller to consummate the Closing is subject to the satisfaction (or waiver to the extent permitted by applicable Law) of the following further conditions:

(a) Representations and Warranties. The representations and warranties of Purchaser contained in this Agreement shall have been true and correct in all material respects when made and shall be true and correct in all material respects as of the Closing Date, with the same force and effect as if made as of the Closing Date (other than such representations and warranties as are made as of another date, which shall be true and correct in all material respects only as of such date).

(b) Agreements and Covenants. Purchaser shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) Washington University Sub-license. Purchaser shall have delivered to Seller a duly executed copy of the Washington University Sub-license.

(d) Closing Deliverables. The closing deliveries set forth in Section 4.03 shall have been delivered to Seller.

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Section 11.04. Frustration of Closing Conditions. Neither Purchaser nor Seller may rely on the failure of any condition set forth in Section 11.01, Section 11.02 or Section 11.03, as the case may be, to be satisfied if such failure was caused by such party's failure to comply with its obligations to consummate the transactions contemplated by this Agreement as required by the provisions of this Agreement, including Section 9.01.

## ARTICLE XII

### SURVIVAL; INDEMNIFICATION

#### Section 12.01. Survival.

(a) The representations and warranties of Seller and Purchaser contained in this Agreement shall survive the Closing for the applicable time period set forth in this Section 12.01, which time period shall serve as a contractual statute of limitations for indemnification claims. All of the representations and warranties of Seller and Purchaser contained in this Agreement and all claims and causes of action for the breach thereof shall terminate on the date that is eighteen (18) months after the Closing Date, except that (i) the representations and warranties contained in Sections 5.08(b) (Compliance with Law) and 5.17 (Tax Matters) shall terminate on the date that is ninety (90) days after the expiration of the applicable statute of limitations; (ii) the representations and warranties contained in Section 5.13 (Environmental Matters) shall terminate on the date that is four (4) years after the Closing Date; and (iii) the representations and warranties contained in Sections 5.01 (Organization, Power and Authorization; Binding Effect), 5.05 (Title to Purchased Assets; Sufficiency) and 6.01 (Organization, Power and Authorization; Binding Effect) shall survive indefinitely. In the event notice of any claim for indemnification under Section 12.02(a) or Section 12.03(a) shall have been given pursuant to Section 14.01 within the applicable survival period, the representations and warranties that are the subject of such indemnification claim shall survive until such time as such claim is finally resolved.

(b) The covenants and agreements of the parties hereto contained in this Agreement shall survive in accordance with their respective terms.

Section 12.02. Indemnification by Purchaser. From and after the Closing, Purchaser hereby agrees to indemnify, defend and hold harmless Seller, the Selling Affiliate, their respective Affiliates and, if applicable, their respective directors, officers, stockholders, partners, attorneys, accountants, agents, employees, heirs, successors and assigns (the "Seller Indemnified Parties") from, against and in respect of any Losses actually incurred by any of the Seller Indemnified Parties resulting from or arising out of (a) any breach of any representation or warranty made by Purchaser contained in this Agreement, (b) the breach of any covenant or agreement of Purchaser contained in this Agreement, (c) any Assumed Liability or (d) the conduct of the Business or the ownership or use of the Purchased Assets after the Closing Date. The Seller Indemnified Parties shall not be entitled to assert any indemnification claim pursuant to clause (a) of this Section 12.02 (i.e., with respect to any breach of any representation or warranty made by Purchaser contained in this Agreement) after the expiration of the applicable survival period set forth in Section 12.01(a) (except to the extent provided therein) and, in each such case, any such claim shall be irrevocably and unconditionally released and waived by the

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Seller Indemnified Parties upon such expiration, whether or not a longer period would be permitted by applicable Law.

Section 12.03. Indemnification by Seller. From and after the Closing, Seller hereby agrees to indemnify, defend and hold harmless Purchaser, its Affiliates and, if applicable, their respective directors, officers, stockholders, partners, attorneys, accountants, agents, employees, heirs, successors and assigns (the "Purchaser Indemnified Parties") and, collectively with the Seller Indemnified Parties, the "Indemnified Parties") from, against and in respect of any Losses actually incurred by any of the Purchaser Indemnified Parties resulting from or arising out of (a) any breach of any representation or warranty made by Seller contained in this Agreement, (b) the breach of any covenant or agreement of Seller contained in this Agreement, (c) any Excluded Liability or Excluded Asset, or (d) any Special Environmental Liability. For purposes of clause (a) of the immediately preceding sentence, all "materiality," "Material Adverse Effect" and similar materiality qualifiers contained in such representations and warranties shall be disregarded (other than those set forth in Sections 5.06 (Financial Statements), 5.09(a) (Contracts) and 5.11(a) (Intellectual Property)). The Purchaser Indemnified Parties shall not be entitled to assert any indemnification claim pursuant to clause (a) of this Section 12.03 (i.e., for breach of any representation or warranty made by Seller contained in this Agreement) after the expiration of the applicable survival period set forth in Section 12.01(a) (except to the extent provided therein) and, in each such case, any such claim shall be irrevocably and unconditionally released and waived by the Purchaser Indemnified Parties upon such expiration, whether or not a longer period would be permitted by applicable Law.

Section 12.04. Indemnification Procedures.

(a) With respect to third party claims, all claims for indemnification by any Indemnified Party hereunder shall be asserted and resolved as set forth in this Section 12.04.

(b) In the event that any written claim or demand for which Seller or Purchaser, as the case may be (an "Indemnifying Party"), may be liable to any Indemnified Party hereunder (after giving effect to the limitations set forth in this Article XII) is asserted against or sought to be collected from any Indemnified Party by a third party, such Indemnified Party shall promptly, but in no event more than thirty (30) days following such Indemnified Party's receipt of such claim or demand, notify the Indemnifying Party of such claim or demand in reasonable detail (taking into account the information then available to the Indemnified Party) and the amount or the estimated amount thereof to the extent then feasible (the "Claim Notice"). The Indemnifying Party shall have thirty (30) days from receipt of the Claim Notice (the "Notice Period") to notify the Indemnified Party (i) whether or not the Indemnifying Party disputes the liability of the Indemnifying Party to the Indemnified Party hereunder with respect to such claim or demand and (ii) whether or not the Indemnifying Party elects to defend the Indemnified Party against such claim or demand. All costs and expenses incurred by the Indemnifying Party in defending such claim or demand shall be a liability of, and shall be paid by, the Indemnifying Party; provided, however, that the amount of such costs and expenses that shall be a liability of the Indemnifying Party hereunder shall be subject to the limitations set forth in Section 12.06 and shall otherwise constitute Losses hereunder.

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(c) Except as hereinafter provided, in the event that the Indemnifying Party notifies the Indemnified Party of its election to defend against such claim or demand, the Indemnifying Party shall have the right to defend the Indemnified Party by appropriate proceedings and shall have the sole power to direct and control such defense. The Indemnifying Party shall promptly inform the Indemnified Party upon request of the status of any claim. If any Indemnified Party desires to participate in any such defense, it may do so at its sole cost and expense, and the Indemnifying Party will not be liable to the Indemnified Party for legal expenses incurred by the Indemnified Party in connection with the defense thereof.

(d) The Indemnified Party shall not settle a claim or demand for which it is indemnified by the Indemnifying Party without the written consent of the Indemnifying Party. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, settle, compromise or offer to settle or compromise any such claim or demand on a basis that would have a continuing effect in any material respect on the Indemnified Party or any Affiliate thereof or any of their respective businesses, assets or operations.

(e) If the Indemnifying Party elects not to defend the Indemnified Party against such claim or demand, whether by failing to give the Indemnified Party timely notice as provided above or otherwise, then the amount of any such claim or demand, or, if the same be contested by the Indemnified Party, then that portion thereof as to which such defense is unsuccessful (including the reasonable costs and expenses pertaining to such defense) shall be the liability of the Indemnifying Party and shall constitute Losses hereunder, subject to the limitations set forth in Section 12.06.

(f) To the extent the Indemnifying Party shall direct, control or participate in the defense or settlement of any third party claim or demand, the Indemnified Party will provide the Indemnifying Party and its counsel access to, during normal business hours, relevant business records and other documents, and shall permit them to consult with the employees of and counsel to the Indemnified Party. The Indemnified Party shall use its reasonable best efforts to defend all such claims that the Indemnifying Party does not elect to defend. The failure of the Indemnified Party to give timely notice of a claim shall not relieve the Indemnifying Party of its indemnification obligations hereunder except to the extent such failure has actually prejudiced the Indemnifying Party.

(g) If an Indemnified Party desires to assert any claim for indemnification provided for under this Article XII other than a claim in respect of, arising out of or involving a third-party claim, such Indemnified Party shall notify the Indemnifying Party in writing, and in reasonable detail (taking into account the information then available to such Indemnified Party), of such claim promptly after becoming aware of the existence of such claim; provided, however, that the failure of the Indemnified Party to give timely notice of a claim shall not relieve the Indemnifying Party of its indemnification obligations hereunder unless such failure has actually prejudiced the Indemnifying Party.

Section 12.05. Characterization of Indemnification Payments. All amounts paid by Seller or Purchaser in respect of indemnification under this Article XII shall, to the extent permitted by Law, be treated for all purposes as adjustments to the Initial Purchase Price.

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Section 12.06. Limitations on Indemnification.

(a) Subject to Section 12.09 and except as otherwise provided herein, Seller shall have no Liability to the Purchaser Indemnified Parties for any Losses pursuant to this Agreement until the Losses actually incurred by the Purchaser Indemnified Parties exceed an aggregate amount equal to one percent (1%) of the Final Purchase Price (the "Threshold Amount") and then only for Losses up to an aggregate amount equal to seventeen and one-half percent (17.5%) of the Final Purchase Price; provided, however, that no indemnity shall be recoverable by any the Purchaser Indemnified Party for any Losses actually incurred with respect to any individual item or matter unless the amount thereof exceeds US\$100,000, and if such amount is not exceeded, then none of the Losses with respect to such item or matter will count toward satisfying the Threshold Amount. Notwithstanding the foregoing or anything to the contrary contained herein, the limitations on indemnification set forth in this Section 12.06(a) shall not apply to any Losses attributable to the Excluded Liabilities or the Special Environmental Liabilities or relating to or arising from any breach of the representations and warranties contained in Sections 5.01 (Organization, Power and Authorization; Binding Effect), 5.05 (Title to Purchased Assets; Sufficiency), 5.08(b) (Compliance with Law), 5.13 (Environmental Matters) or 5.17 (Tax Matters).

(b) An Indemnified Party's right to indemnification pursuant to this Article XII on account of any Losses will be reduced by all insurance or other third party indemnification proceeds actually received by such Indemnified Party, and any such proceeds shall be taken into account for all purposes hereunder when calculating the Losses actually incurred by such Indemnified Party. The Indemnified Party shall use commercially reasonable efforts to claim and recover any Losses suffered by such Indemnified Party under any such insurance policies or other third party indemnities. The Indemnified Party shall remit to the Indemnifying Party any such insurance or other third party proceeds that are paid to the Indemnified Party with respect to Losses for which the Indemnified Party has been previously compensated pursuant to this Article XII.

(c) An Indemnified Party's right to indemnification pursuant to this Article XII on account of any Losses will be reduced by the net amount of the Tax benefits actually realized by such Indemnified Party by reason of such Loss, and the net amount of any such Tax benefits shall be taken into account for all purposes hereunder when calculating the Losses actually incurred by such Indemnified Party. The Indemnified Party shall use commercially reasonable efforts to claim and realize all such Tax benefits.

(d) No Indemnified Party will be entitled to indemnification pursuant to this Article XII for Losses to the extent that such Indemnified Party has been compensated therefor pursuant to Section 3.02.

(e) The Purchaser Indemnified Parties' right to indemnification pursuant to Section 12.03 on account of any Losses will be reduced by the amount of any reserve reflected on the Financial Statements established for the specific items or matters giving rise to such Loss.

(f) No Indemnified Party shall be entitled to recover from an Indemnifying Party more than once in respect of the same Losses.

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(g) Notwithstanding any other provision of this Agreement, including without limitation this Section 12.06, Seller shall have no obligation to indemnify any Purchaser Indemnified Party (i) for claims arising after the fourth anniversary of the Closing Date for any breach of any of the representations or warranties contained in Section 5.13 (Environmental Matters), (ii) in respect of the Special Environmental Liabilities following the fourth anniversary of the Closing Date, or (iii) in excess of \$20,000,000 in the aggregate for any breach of any of the representations or warranties contained in Section 5.13 (Environmental Matters) or in respect of the Special Environmental Liabilities.

(h) Notwithstanding any other provision of this Agreement, Seller's obligation to indemnify the Purchaser Indemnified Parties for any breach of any of the representations contained in Section 5.13 (Environmental Matters) or in respect of the Special Environmental Liabilities shall be subject to the following limitations: (i) Seller shall not be responsible for any increase in the cost of cleanup of any Release of Hazardous Materials or correcting a non-compliance with Environmental Law to the extent that such increase resulted from any voluntary intrusive soil or groundwater sampling conducted in, on, at or under the Purchased Assets after the Closing Date by or on behalf of Purchaser, the Company or any of their respective employees or representatives which was not conducted in order to assess or otherwise respond to a claim or potential claim raised by a third party or to assess or prevent what Purchaser reasonably believes to be a material imminent threat to human health or the Environment; and (ii) Seller shall not be responsible for any costs to the extent such costs are incurred due to any material change in the use of any Seller Property after the Closing Date.

Section 12.07. Assignment of Claims. If the Indemnified Party receives any payment from an Indemnifying Party in respect of any Losses indemnified pursuant to Section 12.02 or Section 12.03 and the Indemnified Party could have recovered all or a part of such Losses from a third party (a "Potential Contributor") based on the underlying Claim asserted against the Indemnifying Party, the Indemnified Party, at the request of the Indemnifying Party, shall assign such of its rights to proceed against the Potential Contributor as are necessary to permit the Indemnifying Party to recover from the Potential Contributor the amount of such payment.

Section 12.08. Mitigation. Any Indemnified Party shall take all reasonable steps to mitigate its Losses upon and after becoming aware of any event or condition that could reasonably be expected to give rise to any Losses that may be indemnifiable hereunder.

Section 12.09. Indemnification as Sole Remedy. From and after the Closing, except to the extent permitted under Section 14.04, the indemnity provided herein as it relates to this Agreement, the transactions contemplated by this Agreement and the Business shall be the sole and exclusive remedy of the Seller Indemnified Parties and the Purchaser Indemnified Parties with respect to any and all claims for Losses relating to or arising out of this Agreement or the transactions contemplated by this Agreement, whether based on contract, tort, statute, regulation or other Law, to the exclusion of all remedies provided by any Law in any jurisdiction, and Seller on behalf of the Seller Indemnified Parties and Purchaser on behalf of the Purchaser Indemnified Parties hereby waive any and all rights, both legal or equitable, to pursue any other remedies in respect of such claims.

## ARTICLE XIII

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## TERMINATION

Section 13.01. Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written agreement of Purchaser and Seller;

(b) by either Purchaser or Seller, by giving written notice of such termination to the other party, if any condition to such party's obligations hereunder has not been satisfied or waived and the Closing shall not have occurred on or prior to December 31, 2011 (the "Termination Date"); provided that the Termination Date shall be automatically extended until March 31, 2012 if the conditions set forth in Section 11.01(a) have not been satisfied or waived by the parties and, as of such date, all other conditions to Closing have been or are capable of being timely satisfied; provided, further, that this Agreement may not be terminated pursuant to this Section 13.01(b) by a party that is in material breach of its obligations hereunder;

(c) by Purchaser by giving written notice to Seller if there has been a breach of any representation, warranty, covenant or agreement on the part of Seller contained in this Agreement such that the condition set forth in Section 11.02(a) or the condition set forth in Section 11.02(b) would not be satisfied, and which is either not capable of being cured prior to the Closing or, if such breach is capable of being cured, is not so cured within a reasonable amount of time (and in any event prior to the Termination Date).

(d) by Seller by giving written notice to Purchaser if there has been a breach of any representation, warranty, covenant or agreement on the part of Purchaser contained in this Agreement such that the condition set forth in Section 11.03(a) or the condition set forth in Section 11.03(b) would not be satisfied, and which is either not capable of being cured prior to the Closing or, if such breach is capable of being cured, is not so cured within a reasonable amount of time (and in any event prior to the Termination Date).

Section 13.02. Effect of Termination. In the event of the termination of this Agreement in accordance with Section 13.01, this Agreement shall thereafter become void and have no effect and neither party hereto (nor any equity holder, director, officer, employee, agent, consultant or representative of any such party) shall have any Liability to the other party hereto, except in each case for the obligations of the parties hereto contained in Section 7.07 (Seller Confidentiality), Section 8.01 (Confidentiality), Section 9.03 (Public Announcements), this Section 13.02 and, as applicable, Article XIV (Miscellaneous), each of which shall survive any termination of this Agreement pursuant to Section 13.01, and except that nothing herein will relieve any party from Liability for any breach of its covenants or agreements contained in this Agreement occurring prior to such termination.

## ARTICLE XIV

### MISCELLANEOUS

Section 14.01. Notices. All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and if delivered by personal delivery upon the party for whom it is intended, if delivered by registered or certified mail, return receipt



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requested, or by a national overnight or courier service, or if sent by fax (provided that the fax is promptly confirmed by telephone confirmation thereof), to the person at the address or fax number set forth below, or such other address or fax number as may be designated in writing hereafter, in the same manner, by such person:

(a) To Seller:

Cabot Corporation  
Two Seaport Lane  
Suite 1300  
Boston, Massachusetts 02210  
Attention: General Counsel  
Tel: 617-342-6175  
Fax: 617-342-6039

with a copy to:

Jones Day  
222 East 41<sup>st</sup> Street  
New York, New York 10017  
Attention: Jere R. Thomson, Esq.  
John K. Kane, Esq.  
Tel: 212-326-3939  
Fax: 212-755-7306

(b) To Purchaser:

c/- Global Advanced Metals Pty Ltd  
Ground Floor, 76 Kings Park Road  
West Perth, WA, 6005, Australia  
Attention: Glenn Williams  
Tel: +61 8 6217 2510  
Fax: +61 8 6217 2501

with a copy to:

Allen & Overy  
Level 27 The Esplanade,  
Perth, WA, 6005 Australia  
Attention: Peter Wilkes  
Tel: +61 8 6315 5900  
Fax: +61 8 6315 5999

(c) To Guarantor:

c/- Global Advanced Metals Pty Ltd  
Ground Floor, 76 Kings Park Road  
West Perth, WA, 6005, Australia  
Attention: Glenn Williams  
Tel: +61 8 6217 2510  
Fax: +61 8 6217 2501

with a copy to:

Allen & Overy  
Level 27 The Esplanade,  
Perth, WA, 6005 Australia  
Attention: Peter Wilkes  
Tel: +61 8 6315 5900  
Fax: +61 8 6315 5999

Section 14.02. Expenses. Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense; provided, however, that Purchaser shall pay the full amount of any fees associated with filings made under the HSR Act and any Competition Law.

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Section 14.03. Projections. In connection with Purchaser's investigation of the Purchased Assets, the Japan Assets the Assumed Liabilities, the Japan Liabilities and the Business, Purchaser may have received, or may receive, from Seller, the Selling Affiliate and/or their respective representatives certain projections and other forecasts for the Business, and certain business plan and budget information. Purchaser acknowledges that (a) there are uncertainties inherent in attempting to make such projections, forecasts, plans and budgets, (b) Purchaser is familiar with such uncertainties, (c) Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections, forecasts, plans and budgets so furnished to it, and (d) Purchaser will not assert any claim against Seller, the Selling Affiliate or any of their respective representatives, or hold Seller or any such other Persons liable, with respect thereto. Accordingly, Purchaser acknowledges that Seller makes no representation or warranty with respect to such estimates, projections, forecasts, plans or budgets and that Seller makes only those representations and warranties explicitly set forth in Article V.

Section 14.04. Specific Performance. Each party hereto acknowledges and agrees that the other party hereto could be irreparably damaged in the event any of the covenants contained in this Agreement are not performed in accordance with their specific terms or are otherwise breached. Accordingly, each party agrees that the other party will be entitled to seek an injunction or injunctions to enforce specifically such covenants in any action instituted in the courts of the State of Delaware.

Section 14.05. Fulfillment of Obligations. Any obligation of any party to any other party under this Agreement, which obligation is performed, satisfied or fulfilled by an Affiliate of such party, shall be deemed to have been performed, satisfied or fulfilled by such party.

Section 14.06. Entire Agreement. This Agreement (including all Exhibits and Schedules hereto) constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement, except for the Confidentiality Agreement which will remain in full force and effect for the term provided therein.

Section 14.07. Amendments and Waivers. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 14.08. Successors and Assigns; Third Party Beneficiaries. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that, except as set forth below, neither party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other party hereto. Notwithstanding the preceding sentence, Purchaser may assign, in its sole discretion, any of or all its rights, interests and obligations under this Agreement to one or more direct or indirect wholly-owned subsidiaries of

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Purchaser (including designating any such entity or entities to act as Purchaser(s) hereunder), but no such assignment shall relieve Purchaser of any of its obligations under this Agreement if its transferee does not perform such obligations. Any assignment in contravention of this provision shall be null and void. This Agreement shall not confer any rights or benefits upon any Person other than the parties hereto and their respective successors and permitted assigns, except to the extent otherwise expressly provided herein.

Section 14.09. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 14.10. No Recourse. No past, present or future director, officer, employee, incorporator, member, partner, individual stockholder, agent, attorney or representative of Guarantor, Purchaser or Seller or any of their respective Affiliates (other than, in the case of the Selling Affiliate, Seller) shall have any liability for any Liabilities of Guarantor, Purchaser or Seller or any of their respective Affiliates under this Agreement or for any claim based on, in respect of or arising out of the transactions contemplated hereby.

Section 14.11. Interpretation. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and "Article," "Section," "clause," "Exhibit" and "Schedule" references are to the Articles, Sections, clauses, Exhibits and Schedules of this Agreement unless otherwise specified. The captions, heading references and table of contents herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. The phrases "the date hereof," "the date of this Agreement" and phrases of similar import, unless the context otherwise requires, shall be deemed to refer to the date set forth in the Preamble to this Agreement. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply "if." The parties hereto have participated jointly in the negotiation and drafting of this Agreement. If any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

Section 14.12. Disclosure Schedule. The Disclosure Schedule constitutes an integral part of this Agreement and is hereby incorporated herein. There may be included in the Disclosure Schedule and elsewhere in this Agreement items and information that are not "material," and such inclusion shall not be deemed to be an acknowledgment or agreement that any such item or

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information (or any non-disclosed item or information of comparable or greater significance) is "material," or to affect the interpretation of such term for purposes of this Agreement. Disclosures included in any section of the Disclosure Schedule shall be considered to be made for purposes of all other sections of the Disclosure Schedule to the extent that the relevance of any such disclosure to any other section of the Disclosure Schedule is readily apparent on its face. Matters reflected in the Disclosure Schedule are not necessarily limited to matters required by this Agreement to be disclosed in the Disclosure Schedule. No disclosure in the Disclosure Schedule relating to a possible breach or violation of any Contract or Law shall be construed as an admission or indication that such breach or violation exists or has occurred. Any capitalized term used in the Disclosure Schedule and not otherwise defined therein shall have the meaning given to such term in this Agreement. Any headings set forth in the Disclosure Schedule are for convenience of reference only and shall not affect the meaning or interpretation of any of the disclosures set forth in the Disclosure Schedule.

Section 14.13. **Governing Law; Jurisdiction.** This Agreement and the transactions contemplated hereby, and all disputes between the parties hereto under or relating to this Agreement or the transactions contemplated hereby, whether in contract, tort or otherwise, shall be governed by, and construed and enforced in accordance with, the internal Laws of the State of Delaware, without regard to any conflicts of law rules thereof that would result in the application of the Law of any other State. The Delaware Court of Chancery sitting in Wilmington, Delaware (and if the Delaware Court of Chancery shall be unavailable, any Delaware state court and the Federal court of the United States of America sitting in the State of Delaware) will have exclusive jurisdiction over any and all disputes among the parties hereto, whether at law or in equity, based upon, arising out of or relating to this Agreement and the transactions contemplated hereby or the facts and circumstances leading to its execution and delivery, whether in contract, tort or otherwise. Each of the parties hereto irrevocably consents to and agrees to submit to the exclusive jurisdiction of such courts, agrees that process may be served upon them in any manner authorized by the Laws of the State of Delaware, and hereby waives, and agrees not to assert in any such dispute, to the fullest extent permitted by applicable Law, any claim that (a) such party is not personally subject to the jurisdiction of such courts, (b) such party and such party's property is immune from any legal process issued by such courts or (c) any litigation commenced in such courts is brought in an inconvenient forum. EACH OF THE PARTIES HERETO IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUTSIDE THE TERRITORIAL JURISDICTION OF THE COURTS REFERRED TO IN THIS SECTION 14.14 IN ANY ACTION OR PROCEEDING UNDER OR RELATING TO THIS AGREEMENT OR THE FACTS AND CIRCUMSTANCES LEADING TO ITS EXECUTION AND DELIVERY BY MAILING COPIES THEREOF BY REGISTERED UNITED STATES MAIL, POSTAGE PREPAID, RETURN RECEIPT REQUESTED, TO ITS ADDRESS AS SPECIFIED IN OR PURSUANT TO SECTION 14.01. HOWEVER, THE FOREGOING SHALL NOT LIMIT THE RIGHT OF A PARTY TO EFFECT SERVICE OF PROCESS ON ANY OTHER PARTY BY ANY OTHER LEGALLY AVAILABLE METHOD. Nothing in this Section 14.14 shall limit the jurisdictions in which a judgment may be enforced.

Section 14.14. **WAIVER OF JURY TRIAL.** EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

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Section 14.15. Counterparts; Electronic Transmission. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other party hereto. Counterparts delivered by electronic transmission shall be deemed to be originally signed counterparts.

## ARTICLE XV

### GUARANTEE BY GUARANTOR

Section 15.01. Guarantee and Indemnity. Guarantor unconditionally and irrevocably:

(a) guarantees to Seller and the Selling Affiliate the performance of all obligations of Purchaser under this Agreement;

(b) agrees that if and each time that Purchaser fails to perform its obligations under this Agreement, Guarantor must on demand (without requiring Seller and the Selling Affiliate first to take steps against Purchaser or any other person) perform such obligations as if it were the principal obligor in respect thereof; and

(c) agrees as principal debtor and primary obligor to indemnify Seller and the Selling Affiliate against, and to pay to Seller or the Selling Affiliate, as appropriate, on demand an amount equal to all Losses directly or indirectly incurred or suffered by Seller or the Selling Affiliate arising out of or in connection with any non-performance of any kind by Purchaser under this Agreement.

Section 15.02. Obligations Not Affected by Certain Matters. The obligations of Guarantor under this Agreement are not affected by any matter or thing which but for this provision might operate to affect or prejudice those obligations, including:

(a) any time or indulgence granted to, or composition with, Purchaser or any other Person;

(b) the taking, variation, renewal or release of, or neglect to perfect or enforce this Agreement, or any right, guarantee, remedy or security from or against Purchaser or any other Person;

(c) any variation or change to the terms of, or any waiver, consent or notice given under, this Agreement; or

(d) any unenforceability or invalidity of any obligation of Purchaser, so that this Agreement must be construed as if there were no such unenforceability or invalidity.

Section 15.03. Purchaser's Actions to Bind Guarantor. Any agreement, waiver, consent or release given by Purchaser shall bind Guarantor.

*[Signature page follows]*

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

**CABOT CORPORATION**

By: /s/ Patrick M. Prevost

Name: Patrick M. Prevost

Title: President and Chief Executive Officer

**GAM INTERNATIONAL PTY LTD**

**ACN 152 453 293**

By: /s/ James McClements

Name: James McClements

Title: Chairman

**GLOBAL ADVANCED METALS PTY LTD**

**ACN 139 987 465**

By: /s/ James McClements

Name: James McClements

Title: Chairman

## Subsidiaries of Cabot Corporation

<u>Subsidiary</u>	<u>State/Jurisdiction of Incorporation</u>
Cabot Argentina S.A.I.C.	Argentina
Cabot Specialty Fluids S.A.	Argentina
Cabot Australasia Pty. Ltd.	Australia
Cabot Australasia Investments Pty. Ltd.	Australia
Cabot Plastics Belgium S.A.	Belgium
Specialty Chemicals Coordination Center, S.A.	Belgium
Cabot Performance Materials Belgium	Belgium
Cabot (Bermuda) Ltd.	Bermuda
Cabot Brasil Industria e Comércio Ltda.	Brazil
Tantalum Mining Corporation of Canada Ltd.	Manitoba, Canada
Coltan Mines Limited	Manitoba, Canada
Cabot Finance N.B. LP	New Brunswick, Canada
Cabot Canada Ltd.	Ontario, Canada
Cabot Plastics Hong Kong Limited	China
Shanghai Cabot Chemical Company Ltd.	China
Cabot Trading (Shanghai) Company Ltd.	China
Cabot (China) Limited	China
Cabot Bluestar Chemical (Jiangxi) Co., Ltd.	China
Cabot Chemical (Tianjin) Co., Ltd.	China
Cabot Performance Products (Tianjin) Co., Ltd.	China
Cabot Risun Chemical (Xingtai) Co., Ltd.	China
Cabot Colombiana S.A.	Colombia
CS Cabot spol, s.r.o.	Czech Republic
Cabot Czech Holding Company s.r.o.	Czech Republic
Cabot France S.A.S.	France
Cabot Carbone S.A.S.	France
Cabot Europa G.I.E.	France
Cabot GmbH	Germany
Cabot Holdings I GmbH	Germany
Cabot Holdings II GmbH	Germany
Cabot Aerogel GmbH	Germany
Cabot India Limited	India
P.T. Cabot Indonesia	Indonesia
Cabot Italiana S.p.A.	Italy

<b>Subsidiary</b>	<b>State/Jurisdiction of Incorporation</b>
Cabot Performance Materials Italy S.r.l	Italy
Aizu Holdings K.K.	Japan
Cabot Asia Kumiai	Japan
Cabot Japan K.K.	Japan
Cabot Supermetals K.K.	Japan
Cabot Korea Y.H.	Korea
Cabot Luxembourg Holdings S.a.r.l.	Luxembourg
Cabot Luxembourg Investments S.a.r.l.	Luxembourg
Cabot Luxembourg Finance S.a.r.l.	Luxembourg
Cabot Asia Sdn. Bhd.	Malaysia
Cabot Elastomer Composites Sdn Bhd.	Malaysia
Cabot Materials Research Sdn Bhd.	Malaysia
Cabot Malaysia Sdn. Bhd.	Malaysia
CMHC, Inc.	Mauritius
Cabot Specialty Fluids (Singapore) Pte. Ltd.	Singapore
Cabot Specialty Fluids Mexico S. de R. L. de C.V.	Mexico
Cabot S.A.	Spain
Cabot International GmbH	Switzerland
Cabot Switzerland GmbH	Switzerland
Cabot B.V.	The Netherlands
Cabot Finance B.V.	The Netherlands
Black Rose Investments Limited	British Virgin Islands
Dragón Verde Investments Limited	British Virgin Islands
AHB Investments Limited	British Virgin Islands
HDF Investments Limited	British Virgin Islands
Ramaai Holdings Limited	British Virgin Islands
Cabot Performance Products FZE	Dubai, United Arab Emirates
Botsel Limited	United Kingdom (England)
Cabot Carbon Limited	United Kingdom (England)
Cabot G.B. Limited	United Kingdom (England)
Cabot Plastics Limited	United Kingdom (England)
Cabot U.K. Limited	United Kingdom (England)
Cabot UK Holdings Limited	United Kingdom (England)
Cabot UK Holdings II Limited	United Kingdom (England)
Cabot UK Holdings III Limited	United Kingdom (England)
Cabot Performance Materials UK Limited	United Kingdom (England)



<b>Subsidiary</b>	<b>State/Jurisdiction of Incorporation</b>
Cabot Specialty Fluids Limited	United Kingdom (Scotland)
Cabot Specialty Fluids North Sea Limited	United Kingdom (Scotland)
BCB Company	Delaware, United States
Cabot Asia Investment Corporation	Delaware, United States
Cabot Ceramics, Inc.	Delaware, United States
Cabot Corporation Foundation, Inc.	Massachusetts, United States
Cabot CSC Corporation	Delaware, United States
Cabot Europe Limited	Delaware, United States
Cabot Holdings LLC	Delaware, United States
Cabot Insurance Co. Ltd. (Vermont)	Vermont, United States
Cabot International Limited	Delaware, United States
Cabot International Capital Corporation	Delaware, United States
Cabot International Services Corporation	Massachusetts, United States
Cabot Specialty Chemicals, Inc.	Delaware, United States
Cabot Specialty Fluids, Inc.	Delaware, United States
CDE Company	Delaware, United States
Energy Transport Limited	Delaware, United States
Cabot US Finance LLC	Delaware, United States
Cabot US Investments LLC	Delaware, United States
Kawecki Chemicals, Inc.	Delaware, United States
Cabot Security Materials Inc.	Delaware, United States
Representaciones 1, 2 y 3 C.A.	Venezuela
Valores Ramaai C.A.	Venezuela

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-177176, 333-03683, 333-19103, 333-19099, 333-82353, 333-96879, 333-96881, 333-136484, 333-134134, 333-134133, 333-06629, 333-158991, and 333-161253 on Forms S-8 and Registration Statement No. 333-162021 on Form S-3 of our reports dated November 29, 2011, relating to the financial statements of Cabot Corporation, and the effectiveness of Cabot Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Cabot Corporation for the year ended September 30, 2011.

/s/ Deloitte & Touche LLP

Boston, Massachusetts

November 29, 2011

**Principal Executive Officer Certification**

I, Patrick M. Prevost, certify that:

1. I have reviewed this annual report on Form 10-K of Cabot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 29, 2011

/s/ PATRICK M. PREVOST

Patrick M. Prevost

President and

Chief Executive Officer

**Principal Financial Officer Certification**

I, Eduardo E. Cordeiro, certify that:

1. I have reviewed this annual report on Form 10-K of Cabot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 29, 2011

/s/ EDUARDO E. CORDEIRO  
 Eduardo E. Cordeiro  
 Executive Vice President and  
 Chief Financial Officer

**Certifications Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906 of the  
Sarbanes-Oxley Act of 2002**

In connection with the filing of the Annual Report on Form 10-K for the year ended September 30, 2011 (the "Report") by Cabot Corporation (the "Company"), each of the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934, as amended; and
  2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.
- November 29, 2011

\_\_\_\_\_  
/s/ PATRICK M. PREVOST

**Patrick M. Prevost**

**President and**

**Chief Executive Officer**

November 29, 2011

\_\_\_\_\_  
/s/ EDUARDO E. CORDEIRO

**Eduardo E. Cordeiro**

**Executive Vice President and**

**Chief Financial Officer**