

CABOT CORP
Form 424B2
September 22, 2009
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CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price	Amount of registration fee (1)
5.00% Notes due 2016	\$300,000,000	\$16,740

(1) Calculated in accordance with Rule 457(r) under the Securities Act.

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Filed Pursuant to Rule 424(b)(2)
File No. 333-162021

Prospectus supplement

(To Prospectus dated September 21, 2009)

Cabot Corporation**\$300,000,000 5.00% Notes due 2016**

Issue price: 99.322%

Interest payable April 1 and October 1

We are offering \$300,000,000 principal amount of 5.00% notes due 2016.

We will pay interest on the notes on April 1 and October 1 of each year, beginning April 1, 2010. The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

We may redeem the notes, in whole or in part, at any time and from time to time prior to their maturity at the redemption price described under *Description of notes* *Optional redemption*. If we experience a change of control triggering event, we will be required to offer to purchase the notes from holders at the applicable price as described under *Description of notes* *Change of control triggering event*.

The notes will be unsecured and will rank equally with all our other unsecured indebtedness from time to time outstanding.

See **Risk factors** beginning on page S-8 for a discussion of certain risks that you should consider in connection with an investment in the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to public(1)	Underwriting discounts and commissions	Proceeds, before expenses
Per note	99.322%	0.625%	98.697%
Total	\$297,966,000	\$1,875,000	\$296,091,000

(1) Plus accrued interest, if any, from September 24, 2009, if settlement occurs after that date.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

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The underwriters expect to deliver the notes to purchasers through the book-entry delivery system of The Depository Trust Company and its participants, including Euroclear Bank, S.A./N.V. and Clearstream Banking, société anonyme on or about September 24, 2009.

Joint Book-Running Managers

J.P. Morgan

BofA Merrill Lynch

Co-Managers

Citi Goldman, Sachs & Co. HSBC Mizuho Securities USA Inc. RBS

September 21, 2009

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus supplement. You must not rely on any unauthorized information or representations. This prospectus supplement is an offer to sell only the notes offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement is current only as of its date.

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About this prospectus supplement

This prospectus supplement contains the terms of this offering of notes. This prospectus supplement, or the information incorporated by reference into this prospectus supplement and the accompanying prospectus, may add, update or change information in the accompanying prospectus. If information in this prospectus supplement, or the information incorporated by reference into this prospectus supplement and the accompanying prospectus, is inconsistent with the accompanying prospectus, this prospectus supplement or the information incorporated by reference into this prospectus supplement and the accompanying prospectus will apply and will supersede that information in the accompanying prospectus. Generally, when we refer to the prospectus, we are referring to both the prospectus supplement and the accompanying prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any person to provide you with different information. If any person provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates thereof. Our business, financial condition, results of operations and prospects may have changed since those dates.

When we refer to Cabot, Company, we, our, and us in this prospectus supplement and the accompanying prospectus, we mean Cabot Corporation, including, unless the context otherwise requires, its subsidiaries, except in the section entitled Description of notes where we mean Cabot Corporation alone. When we refer to you or yours, we mean the holders of the notes offered hereby.

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Cautionary note regarding forward-looking statements

This prospectus supplement contains forward-looking statements under the Federal securities laws. These forward-looking statements address expectations or projections about the future, including our expectations concerning the amount and timing of the charge to earnings we will record and the cash outlays we will make in connection with our recent restructuring initiative; the amount and timing of charges and payments associated with restructurings and cost reduction initiatives we have previously undertaken; when we expect to begin using our recently completed rubber blacks manufacturing capacity to manufacture product; the amount and timing of payments associated with environmental remediation and respirator claims; the amount of previously recorded tax benefits we expect to reverse in the fourth quarter of fiscal 2009; the outcome of pending litigation; cash requirements and uses of available cash; our ability to remain in compliance with the financial covenants in our revolving credit facility; and our ability to meet cash requirements for the foreseeable future.

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 or difficult to predict. If known or unknown risks materialize, or should underlying assumptions prove inaccurate, our actual results could differ materially from those expressed in the forward-looking statements.

In addition to factors described elsewhere in this prospectus supplement, factors that might cause our actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, our ability to successfully implement and achieve the expected cost savings from our organizational restructurings and cost reduction initiatives; changes in raw material costs; lower than expected demand for our products; the timely commercialization of products under development (which may be disrupted or delayed by technical difficulties, market acceptance, competitors' new products, as well as difficulties in moving from the experimental stage to the production stage); demand for our customers' products; competitors' reactions to market conditions; fluctuations in currency exchange rates; patent rights of others; stock and credit market conditions; the accuracy of the assumptions we used in establishing a reserve for our share of liability for respirator claims; and the outcome of pending litigation and environmental proceedings; as well as the other factors and risks discussed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

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 future 10-K, 10-Q and 8-K reports filed with the Securities and Exchange Commission.

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Prospectus supplement summary

This summary highlights selected information appearing elsewhere in this prospectus supplement and may not contain all of the information that is important to you. You should carefully read this prospectus supplement in its entirety, including the documents incorporated by reference.

Cabot Corporation

Cabot's business was founded in 1882. Cabot is a global specialty chemicals and performance materials company headquartered in Boston, Massachusetts. Our principal products are rubber and specialty grade carbon blacks, inkjet colorants, fumed metal oxides, aerogels, tantalum and related products, and cesium formate drilling fluids. Cabot and its affiliates have manufacturing facilities and operations in the United States and approximately 20 other countries.

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.

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 existing and emerging applications.

During the third fiscal quarter ended June 30, 2008, we changed our business and regional organizational structure. Under the new organizational structure, we are organized into four business segments: the Core Segment, which is further disaggregated for financial reporting purposes into the Rubber Blacks and the Supermetals Businesses, the Performance Segment, the New Business Segment and the Specialty Fluids Segment. Under the new regional structure, we are organized into three geographic regions: The Americas, which includes North and South America; Europe, Middle East and Africa; and Asia Pacific, including China.

We are incorporated in the state of Delaware and our principal executive offices are located at Two Seaport Lane, Suite 1300, Boston, Massachusetts 02210. Our internet address is 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 Exchange Act as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC. The information contained in our website has not been, and shall not be deemed to be, incorporated by reference into this prospectus supplement and the accompanying prospectus.

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The offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. For a more detailed description of the terms and conditions of the notes, see the section entitled Description of notes.

Issuer	Cabot Corporation
Notes offered	\$300,000,000 aggregate principal amount of 5.00% Notes due 2016
Maturity	The notes will mature on October 1, 2016
Interest	5.00% per year
Interest payment dates	April 1 and October 1 of each year, beginning April 1, 2010
Ranking	The notes: are unsecured; rank equally with all our existing and future unsubordinated debt; are senior to any of our future subordinated debt; and are effectively subordinated to any of our future secured indebtedness to the extent of the value of the assets securing such indebtedness.
	As of June 30, 2009, we had indebtedness of approximately \$528 million that ranks equally with the notes.
	The notes are not guaranteed by any of our subsidiaries and will therefore be structurally subordinated to all existing and future indebtedness and other obligations, including trade payables, of our subsidiaries. As of June 30, 2009, our subsidiaries had approximately \$603 million of liabilities.
Optional redemption	We may redeem, at our option, at any time and from time to time prior to maturity, any and all of the notes, in whole or in part as described in the section entitled Description of notes Optional redemption.
Change of control triggering event	Upon the occurrence of a Change of Control Triggering Event (as defined in this prospectus supplement), we will be required to make an offer to purchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase. See Description of notes Change of control triggering event.

Covenants

The Indenture under which the notes will be issued contains

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covenants for your benefit. These covenants restrict our ability with certain exceptions to:
create certain liens;
enter into sale and leaseback transactions; and
consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

These covenants are subject to important exceptions and qualifications, which are described in the accompanying base prospectus. For a more detailed description, see [Description of Debt Securities](#) in the accompanying base prospectus.

Further issuances We may create and issue additional notes ranking equally and ratably with the notes in all respects, so that such additional notes shall be consolidated with the notes, including for purposes of voting and redemptions.

Form and denomination The notes will be issued in fully registered form in denominations of \$2,000 and in integral multiples of \$1,000 in excess thereof.

Use of proceeds We estimate that we will receive approximately \$295.4 million in net proceeds from this offering, after deducting underwriting discounts and commissions and offering expenses. We intend to use a portion of the net proceeds from this offering for the repayment of currently outstanding indebtedness under our revolving credit agreement and to use the remainder for other general corporate purposes. See [Use of proceeds](#).

Risk factors See [Risk factors](#) and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should consider carefully before investing in the notes.

Certain United States federal income tax consequences You should consult your tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of the notes. See [Certain United States federal income tax consequences](#).

Other relationships Affiliates of certain of the underwriters are lenders under our revolving credit facility. Because more than 5% of the net proceeds of this offering, not including underwriting compensation, may be received by an affiliate of an underwriter, this offering is being conducted in accordance with National Association of Securities Dealers (NASD) Conduct Rule 2720(a)(1)(c) of the Financial Regulatory Authority, Inc. For a brief description of our revolving credit facilities and our relationships with certain underwriters, see [Use of proceeds](#) and [Other relationships](#).

Table of Contents**Selected historical financial information**

The following table presents selected historical consolidated financial data derived from the consolidated financial statements and related notes thereto of Cabot Corporation for each of the periods presented. The following data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended September 30, 2008 and our Quarterly Report on Form 10-Q for the nine-month period ended June 30, 2009, which are incorporated by reference into this prospectus supplement. Results presented for the nine-month periods ended June 30, 2008 and June 30, 2009 are unaudited and are not necessarily indicative of full-year results.

(Dollars in millions except for ratios and percentages)	Nine months ended		Fiscal year ended		
	June 30, 2009	June 30, 2008	September 30, 2008	September 30, 2007	September 30, 2006
Statement of Operations					
Net sales and other operating revenues	1,633	2,337	3,191	2,616	2,543
Cost of sales and operating expenses	1,691	2,211	3,027	2,429	2,417
Income (loss) from continuing operations	(58)	126	164	187	126
Interest expense	(23)	(28)	(38)	(34)	(27)
Net (loss) income	(66)	74	86	129	88
Other Data					
Cash provided by (used in):					
Operating activities	317	44	124	309	252
Investing activities	(79)	(103)	(176)	(143)	(165)
Financing activities	(191)	3	23	(211)	(82)
Balance Sheet Data					
Total assets	2,471	2,941	2,858	2,636	2,534
Total debt (a)	575	693	716	585	551
Total stockholders' equity	1,159	1,285	1,249	1,194	1,196
Total debt + stockholders' equity	1,734	1,978	1,965	1,779	1,747
Select Ratio					
Total debt / Total debt + stockholders' equity	33.16%	35.04%	36.44%	32.88%	31.54%

(a) Total debt is calculated as the sum of (i) long-term debt, (ii) current portion of long-term debt, and (iii) notes payable to banks.

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Because the proceeds of this offering will be used to repay indebtedness and our ratio of earnings to fixed charges will change by ten percent or more, we are presenting our pro forma ratio below.

Earnings to fixed charges is calculated as follows: the sum of (i) earnings, defined as (loss) income from continuing operations plus dividends received from equity affiliates and (ii) fixed charges, defined as the sum of interest on indebtedness, implied interest on rental payments, and preferred stock dividends, divided by fixed charges.

In computing the pro forma ratio, the historical ratio is adjusted by the pro forma interest expense (net) amount calculated as follows:

(1) add to historical fixed charges the increase in interest costs resulting from the proposed issuance of new debt; and

(2) deduct from historical fixed charges the decrease in interest costs resulting from the retirement of any debt presently outstanding (but only for the period of time outstanding if less than one year) which will be retired with the proceeds from the proposed offering.

The following table sets forth our pro forma consolidated ratio of earnings to fixed charges and preferred stock dividends for the periods listed below:

	Pro forma for this offering	
	Nine months ended	Fiscal year ended
	June 30, 2009	September 30, 2008
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends	N/A ¹	2.8x

(1) The earnings to fixed charges ratio is negative because of the loss. The total dollar amount of the deficiency is \$92 million.

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Risk factors

You should carefully consider the risks described below and in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus before making a decision to invest in the notes. Some of these factors relate principally to our business and the industry in which we operate. Other factors relate principally to your investment in the notes. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially and adversely affect our business and operations.

If any of the matters included in the following risks were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially and adversely affected. In such case, you may lose all or part of your original investment.

Risks relating to the notes

The notes are effectively junior to the existing and future liabilities of our subsidiaries and to our secured debt to the extent of the assets securing the same.

Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the notes. In addition, any payment of dividends, loans, or advances by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon the subsidiaries' earnings and business considerations. Our right to receive any assets of any of our subsidiaries upon their bankruptcy, liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. The indenture does not restrict the amount of additional debt that we may incur. In addition, even if we are a creditor of any of our subsidiaries, our right as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. At June 30, 2009, our subsidiaries had \$233 million of debt outstanding.

The notes are our unsecured obligations and will rank equally in right of payment with all of our other existing and future unsecured, unsubordinated obligations. The notes are not secured by any of our assets. Claims of secured lenders with respect to assets securing their loans will be prior to any claim of the holders of the notes with respect to those assets. As of June 30, 2009, we had no material secured debt outstanding.

The indenture does not restrict the amount of additional debt that we may incur.

The notes and indenture under which the notes will be issued do not place any limitation on the amount of unsecured debt that may be incurred by us. Our incurrence of additional debt may have important consequences for you as a holder of the notes, including making it more difficult for us to satisfy our obligations with respect to the notes, a loss in the market value of your notes and a risk that the credit rating of the notes is lowered or withdrawn.

An active trading market may not develop for the notes.

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system. We have been advised by the underwriters that they presently intend to make a market in the notes after completion of the offering. However, they

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are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes will be adversely affected. See Underwriting.

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of specific kinds of change of control events described herein, each holder of notes will have the right to require us to repurchase all or any part of such holder's notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. If we experience a Change of Control Triggering Event, there can be no assurance that we would have sufficient financial resources available to satisfy our obligations to repurchase the notes. A Change of Control Triggering Event may also trigger a cross default under our revolving credit facility and other credit facilities. Our failure to repurchase the notes as required under the indenture governing the notes would result in a default under the indenture, which could have material adverse consequences for us and the holders of the notes. See Description of notes Change of Control Triggering Event.

Our credit ratings may not reflect all risks of your investment in the notes.

The credit ratings assigned to the notes are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There can be no assurance that such credit ratings will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the applicable rating agencies, if, in such rating agency's judgment, circumstances so warrant. Agency credit ratings are not a recommendation to buy, sell or hold any security. Each agency's rating should be evaluated independently of any other agency's rating. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the notes and increase our corporate borrowing costs.

The terms of the indenture and the notes provide only limited protection against significant corporate events that could adversely impact your investment in the notes.

While the indenture and the notes contain terms intended to provide protection to noteholders upon the occurrence of certain events involving significant corporate transactions and our creditworthiness, such terms are limited and may not be sufficient to protect your investment in the notes.

The definition of the term Change of Control Triggering Event as described under Description of notes Change of Control Triggering Event does not cover a variety of transactions (such as acquisitions by us or recapitalizations) that could negatively affect the value of your notes. If we were to enter into a significant corporate transaction that would negatively affect the value of the notes but would not constitute a Change of Control Triggering Event, we would not be required to offer to repurchase your notes prior to their maturity.

Furthermore, the indenture for the notes does not:

require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity;

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limit our ability to incur indebtedness that is equal in right of payment to the notes;

restrict our subsidiaries' ability to issue securities or otherwise incur indebtedness that would be senior to our equity interests in our subsidiaries and therefore rank effectively senior to the notes;

limit the ability of our unrestricted subsidiaries to service indebtedness;

restrict our ability to repurchase or prepay any other of our securities or other indebtedness;

restrict our ability to make investments or to repurchase or pay dividends or make other payments in respect of our common stock or other securities ranking junior to the notes; or

limit our ability to sell, merge or consolidate any of our unrestricted subsidiaries.

As a result of the foregoing, when evaluating the terms of the notes, you should be aware that the terms of the indenture and the notes do not restrict our ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on your investment in the notes.

Risks relating to the Company.

Our business is subject to uncertainties and risks. You should carefully consider and evaluate all of the information included and incorporated by reference in this prospectus supplement, including Item 1A. Risk Factors incorporated by reference from our most recent annual report on Form 10-K, as updated by our quarterly reports on Form 10-Q and other SEC filings filed after such annual report.

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Use of proceeds

The net proceeds of this offering are estimated to be \$295.4 million after deducting underwriting discounts and commissions and offering expenses. We intend to use a portion of the net proceeds of this offering to repay currently outstanding indebtedness under our revolving credit facility. The credit facility bears interest at varying rates from 0.4825% to 0.5606%, and expires in August of 2010. The credit facility will continue to be available after this offering. The remaining portion of the proceeds will be used for other general corporate purposes.

Capitalization

The following table sets forth our unaudited consolidated cash and cash equivalents, short term debt, stockholders' equity and total capitalization at June 30, 2009 on a historical basis and as adjusted to give effect to the issuance and sale of the notes offered hereby and the application of the proceeds of this offering to repay indebtedness under our revolving credit facility. The information set forth below should be read in conjunction with our unaudited consolidated financial statements and the related notes contained in our Quarterly Report on Form 10-Q for the quarter ended on June 30, 2009 incorporated by reference in this prospectus supplement.

	At June 30, 2009	
	At June 30, 2009	As adjusted*
	(In millions)	
Cash and equivalents	\$ 177	\$ 260
Variable rate:		
Short-term notes payable to banks	19	19
\$400mm Revolving Credit Facility:		
Yen drawdown, due 2010	97	-
US Dollar drawdown, due 2010	115	-
Chinese Renminbi, due 2009-2012	34	34
Total variable rate debt	265	53
Fixed rate:		
Medium Term Notes:		
Notes due 2012-2022	45	45
Notes due 2009-2011	15	15
Notes due 2027	8	8
Notes due 2018	30	30
Total Medium Term Notes	98	98
New Bond Offering, due 2016	-	295
Euro Bond, due 2013	178	178
Guarantee of ESOP, due 2013	26	26
Other debt (due 2014 and 2027)	6	6
Total fixed rate debt	308	603
Capital leases, due 2009-2021	2	2
Total debt	575	658
Total stockholders' equity	1,159	1,159

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Total debt + stockholders equity	\$	1,734	\$	1,817
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* The As Adjusted column reflects (i) the new bond offering, net of underwriter discounts and offering expenses; (ii) repayment of certain amounts due under our revolving credit facility; and (iii) excess cash available for working capital purposes after repayment of amounts under the revolving credit facility.

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Description of notes

The notes offered hereby will constitute a new series of debt securities to be issued under an Indenture to be dated as of September 21, 2009 (the Indenture) by and between Cabot Corporation and U.S. Bank National Association, as trustee (the Trustee). The following description is only a summary of the material provisions of the notes and the Indenture. You should read the documents in their entirety because they, and not this description, define your rights as holders of the notes. Unless the context requires otherwise, all references to we and the Company include only Cabot Corporation and not its subsidiaries.

General

The notes will initially be issued in an aggregate principal amount of \$300,000,000 and will mature on October 1, 2016. The notes will be issued only in fully registered form without coupons in minimum denominations of \$2,000 and integral multiples of \$1,000 above that amount. The notes will not be entitled to any sinking fund.

Interest on the notes will accrue at the rate per annum shown on the cover of this prospectus supplement from September 24, 2009, or from the most recent date to which interest has been paid or provided for, payable semi-annually on April 1 and October 1 of each year, beginning on April 1, 2010, to the persons in whose names the notes are registered in the security register at the close of business on the March 15 or September 15 preceding the relevant interest payment date, except that interest payable at maturity shall be paid to the same persons to whom principal of the notes is payable. Interest will be computed on the notes on the basis of a 360-day year of twelve 30-day months.

There is no public trading market for the notes, and we do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system.

Optional redemption

We may, at our option, at any time and from time to time redeem the notes, in whole or in part, on not less than 30 nor more than 60 days prior notice mailed to the holders of the notes. The notes will be redeemable at a redemption price, plus accrued and unpaid interest to the date of redemption, equal to the greater of (1) 100% of the principal amount of the notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed that would be due after the related redemption date but for such redemption (except that, if such redemption date is not an interest payment date, the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued thereon to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 30 basis points; provided that the principal amount of a note remaining outstanding after redemption in part shall be \$2,000 or an integral multiple of \$1,000 in excess thereof.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (computed as of the second business day immediately preceding such redemption date) of the Comparable Treasury Issue,

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assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes. **Independent Investment Banker** means one of the Reference Treasury Dealers appointed by us.

Comparable Treasury Price means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all Quotations obtained.

Reference Treasury Dealer means each of J.P. Morgan Securities Inc., Banc of America Securities LLC and their respective successors and two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by us, except that if any of the foregoing ceases to be a primary U.S. government securities dealer in the United States (a **Primary Treasury Dealer**), we are required to designate as a substitute another nationally recognized investment banking firm that is a Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer as of 3:30 p.m., New York City time, on the third business day preceding such redemption date.

On and after any redemption date, interest will cease to accrue on the notes called for redemption. Prior to any redemption date, we are required to deposit with a paying agent money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on such date. If we are redeeming less than all of the notes, the Trustee under the Indenture must select the notes to be redeemed by such method as the Trustee deems fair and appropriate in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances.

Change of control triggering event

Upon the occurrence of a Change of Control Triggering Event with respect to the notes, unless we have exercised our right to redeem the notes as described under **Optional Redemption** by giving irrevocable notice to the Trustee in accordance with the Indenture, each holder of notes will have the right to require us to purchase all or a portion of such holder's notes pursuant to the offer described below (the **Change of Control Offer**), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (the **Change of Control Payment**), subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

Within 30 days following the date upon which the Change of Control Triggering Event occurred with respect to the notes, or at our option, prior to any Change of Control but after the public announcement of the pending Change of Control, we will be required to send, by first class mail, a notice to each holder of notes, with a copy to the Trustee, which notice will govern the terms of the Change of Control Offer. Such notice will state, among other things, the purchase date,

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which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law (the Change of Control Payment Date). The notice, if mailed prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditioned on the Change of Control being consummated on or prior to the Change of Control Payment Date.

On the Change of Control Payment Date, we will, to the extent lawful:

accept or cause a third party to accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

deposit or cause a third party to deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

deliver or cause to be delivered to the trustee the notes properly accepted together with an officers certificate stating the aggregate principal amount of notes or portions of notes being repurchased and that all conditions precedent to the Change of Control Offer and to the repurchase by us of notes pursuant to the Change of Control Offer have been complied with.

We will not be required to make a Change of Control Offer with respect to the notes if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by us and such third party purchases all the notes properly tendered and not withdrawn under its offer.

We will comply in all material respects with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of the notes by virtue of any such conflict.

For purposes of the foregoing discussion of a Change of Control Offer, the following definitions are applicable:

Change of Control means the occurrence of any of the following after the date of issuance of the notes:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Cabot and its subsidiaries taken as a whole to any person or group (as those terms are used in Section 13(d)(3) of the Exchange Act) other than to Cabot or one of its subsidiaries;
- (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person or group (as those terms are used in Section 13(d)(3) of the Exchange Act, it being agreed that an employee of Cabot or any of its subsidiaries for whom shares are held under an employee stock ownership, employee retirement, employee savings or similar plan and whose shares are voted in accordance with the instructions of such employee shall not be a member of a group (as that term is used in Section 13(d)(3) of

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the Exchange Act) solely because such employee's shares are held by a trustee under said plan), other than Cabot or one of its subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of our Voting Stock representing more than 50% of the voting power of our outstanding Voting Stock; provided that a merger shall not constitute a change of control under this definition if (i) the sole purpose of the merger is our reincorporation in another state and (ii) our shareholders and the number of shares of our Voting Stock, measured by voting power and number of shares, owned by each of them immediately before and immediately following such merger are identical.

(3) we consolidate with, or merge with or into, any Person, or any Person consolidates with, or merge with or into, us, in any such event pursuant to a transaction in which any of our outstanding Voting Stock or Voting Stock of such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where our Voting Stock outstanding immediately prior to such transaction constitutes, or is converted into or exchanged for, Voting Stock representing more than 50% of the voting power of the Voting Stock of the surviving Person immediately after giving effect to such transaction;

(4) during any period of 24 consecutive calendar months, the majority of the members of our board of directors shall no longer be composed of individuals (a) who were members of our board of directors on the first day of such period or (b) whose nomination or election (either by a specific vote or by approval of our proxy statement in which such member was named as a nominee for election as a director) to our board of directors was approved by (i) individuals referred to in clause (a) above or (ii) other directors described in this clause (b), in each case collectively constituting, at the time of such nomination or election, at least a majority of our board of directors or, if directors are nominated by a committee of our board of directors, constituting at the time of such nomination, at least a majority of such committee; or

(5) the adoption of a plan relating to our liquidation or dissolution.

Change of Control Triggering Event means, with respect to the notes, the notes are rated below Investment Grade by both of the Rating Agencies on any date during the period (the Trigger Period) commencing on the first public announcement by us of any Change of Control (or pending Change of Control) and ending 60 days following consummation of such Change of Control (which Trigger Period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings downgrade); provided that a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change in Control (and thus shall not result in a Change of Control Triggering Event) if any of the Rating Agencies making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprising of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Rating Event). If a Rating Agency is not providing a rating for the notes at the commencement of any Trigger Period, the notes will be deemed to have ceased to be called Investment Grade by such Rating Agency during that Trigger Period. Notwithstanding the foregoing, no Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

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Investment Grade means a rating of Baa3 or better by Moody's (or its equivalent under any successor rating category of Moody's) and a rating of BBB- or better by S&P (or its equivalent under any successor rating category of S&P), and the equivalent investment grade credit rating from any replacement rating agency or rating agencies selected by us under the circumstances permitting us to select a replacement agency and in the manner for selecting a replacement agency, in each case as set forth in the definition of Rating Agency.

Moody's means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

Rating Agency means each of Moody's and S&P; provided, that if any of Moody's or S&P ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, we may appoint another nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act as a replacement for Moody's or S&P, or both of them, as the case may be; provided, that we shall give notice of such appointment to the Trustee.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

Voting Stock of any specified Person as of any date means the capital stock of such Person that is at the time entitled to vote generally in the election of the board of directors of such Person.

For purposes of the notes, the following definition is applicable:

Person means any individual, corporation, partnership, limited liability company, business trust, association, joint-stock company, joint venture, trust, incorporated or unincorporated organization or government or any agency or political subdivision thereof.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties or assets of Cabot and its subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise, established definition of the ph