

OM GROUP INC
Form DEF 14A
April 03, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A
(RULE 14a-101)**

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

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

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

OM GROUP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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(4) Date Filed:

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OM GROUP, INC.

**127 Public Square
1500 Key Tower
Cleveland, Ohio 44114-1221**

**Notice of Annual Meeting of Stockholders
to be Held May 12, 2009**

The Annual Meeting of Stockholders of OM Group, Inc. will be held in the 27th Floor Conference Center Auditorium at Key Tower, 127 Public Square, Cleveland, Ohio 44114, on Tuesday, May 12, 2009, at 10:00 a.m., for the following purposes:

1. To elect three directors to serve for terms expiring at our annual meeting in 2012;
2. To confirm the appointment of Ernst & Young LLP as our independent registered public accountant; and
3. To consider any other business that is properly brought before the meeting or any adjournment.

Stockholders of record at the close of business on March 20, 2009 are entitled to notice of and to vote at the meeting. This proxy statement and the accompanying proxy will be mailed to stockholders on or about April 3, 2009.

We cordially invite you to attend the meeting. To ensure your representation at the meeting, please vote promptly by mail, telephone or the Internet by following the instructions on the enclosed proxy or voting instruction card, even if you plan to attend the meeting. Mailing your completed proxy or voting instruction card, or using our telephone or Internet voting systems, will not prevent you from voting in person at the meeting if you wish to do so.

By Order of the Board of Directors

Valerie Gentile Sachs, *Secretary*

Cleveland, Ohio
April 3, 2009

PROXY STATEMENT
for
ANNUAL MEETING OF STOCKHOLDERS
of
OM GROUP, INC.

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VOTING AND MEETING INFORMATION

What is the purpose of the annual meeting?

At our annual meeting, you will be asked to:

elect three directors to serve for terms expiring at our annual meeting in 2012; and

confirm the appointment of Ernst & Young LLP as our independent registered public accountant.

In addition, we will transact any other business that properly comes before the meeting.

Who is entitled to vote?

Holders of record of our common stock as of the close of business on March 20, 2009 are entitled to vote at the annual meeting. At that time, we had 30,722,342 outstanding shares of common stock. We have no other outstanding classes of stock that are entitled to vote at the annual meeting. Voting stockholders are entitled to one vote per share.

How do I vote?

You may vote in person at the meeting or through a proxy. To vote by proxy, you should sign and date each proxy card you receive and return it in the prepaid envelope. If you are a registered stockholder, you may vote by telephone or electronically through the Internet by following the instructions included on your proxy card.

What if I hold shares indirectly?

If you hold shares in a stock brokerage account or through a bank or other nominee, you are considered to be the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by your broker or nominee. As the beneficial owner you have the right to direct your broker how to vote. Under the New York Stock Exchange rules, your broker is permitted to vote your shares on the election of directors and the appointment of our independent registered public accountant, even if you do not furnish voting instructions.

If your shares are held in street name, your broker or other nominee may have procedures that will permit you to vote by telephone or electronically through the Internet.

Can I change my vote?

You have the right to change your vote at any time before votes are counted at the meeting by:

notifying us in writing at our corporate offices and to the attention of our Director of Investor Relations;

returning a later-dated proxy card;

voting at a later time by telephone or through the Internet; or

voting in person at the meeting.

What are the requirements and procedures for a quorum, abstentions and broker non-votes?

Your shares are counted as present at the meeting if you attend the meeting or if you properly return a proxy by mail or vote by telephone or through the Internet. In order for us to vote on matters at the meeting, a majority of our outstanding shares of common stock as of March 20, 2009 must be present in person or by proxy at the meeting, which includes shares that have been voted by telephone or through the Internet. This is referred to as a quorum. Abstentions will be counted for purposes of establishing a quorum at the meeting and will be counted as voting (but not for or against) on the affected proposal. Broker non-votes will be counted

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for purposes of establishing a quorum but will not be counted as voting. If a quorum is not present, the meeting will be adjourned until a quorum is present.

How many votes are needed to elect directors and confirm the appointment of Ernst & Young LLP?

The nominees who receive the greatest number of for votes will be elected to the director positions being filled. Shares not voted will have no impact on the election of directors. Approval of the proposal to confirm the appointment of Ernst & Young LLP requires the affirmative vote of a majority of shares represented at the meeting. If you sign and return a proxy card or use the telephone or Internet procedures but do not give voting instructions, your shares will be voted for the candidates nominated by the Nominating and Governance Committee and approved by the Board, and will be voted to confirm Ernst & Young LLP.

How will voting on any other business be conducted?

We currently do not know of any business to be considered at the meeting other than the two proposals described in this proxy statement. If any other business is properly presented at the meeting, your signed proxy card or use of the telephone or Internet procedures gives authority to the named proxies to vote your shares on such matters in their discretion.

Who will count the vote?

Representatives of National City Bank, a part of PNC Bank, will tabulate the votes and act as inspectors of election.

Important notice regarding the availability of proxy materials for the stockholder meeting to be held on May 12, 2009: The proxy statement and our annual report to our stockholders are available, free of charge, at <http://phx.corporate-ir.net/phoenix.zhtml?c=82564&p=Proxy>.

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PROPOSAL 1. ELECTION OF DIRECTORS

Our authorized number of directors is presently fixed at eight, divided into three classes, with two classes having three members and one class having two members. Our directors are elected to serve three-year terms, so that the term of office of one class of directors expires at each annual meeting.

The Nominating and Governance Committee has recommended, and the Board of Directors has approved, the nomination of the following individuals, each of whom is currently a director, for election as directors for terms expiring at our annual meeting in 2012:

Richard W. Blackburn

Steven J. Demetriou

Gordon A. Ulsh

If any of these nominees becomes unavailable for election, the accompanying proxy may be voted for a substitute, or in favor of holding a vacancy to be filled by the directors. We have no reason to believe that any nominee will be unavailable. The accompanying proxy may be voted for up to the number of nominees named and the nominees receiving the largest number of for votes will be elected to the director positions to be filled.

*THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE **FOR** ALL NOMINEES.*

The following information is provided regarding each nominee for election as a director and the continuing directors.

Nominees for Election as Directors with Terms Expiring in 2012

Richard W. Blackburn, age 66, has been a director since August 2005. Mr. Blackburn retired from Duke Energy Corporation in 2004 after seven years as Executive Vice President and General Counsel, the last year of which he was also Chief Administrative Officer. Mr. Blackburn is a Trustee of the Massachusetts Eye and Ear Infirmary and The George Washington University.

Steven J. Demetriou, age 50, has been a director since November 2005. Mr. Demetriou has been the Chairman of the Board and Chief Executive Officer of Aleris International, Inc., an international aluminum company, since December 2004 following the merger of Commonwealth Industries, Inc. and IMCO Recycling, Inc. On February 12, 2009, Aleris International, Inc. and its affiliated entities filed petitions for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code. Mr. Demetriou served as President and Chief Executive Officer of Commonwealth from June 2004 and served as a director of Commonwealth from 2002 until the merger. Mr. Demetriou was President and Chief Executive Officer of privately held Noveon, Inc., a global producer of advanced specialty chemicals for consumer and industrial applications, from 2001 until June 2004, at which time he led the sale of Noveon to The Lubrizol Corporation. From 1999 to 2001, he was Executive Vice President of IMC Global Inc., a producer and distributor of crop nutrients and animal feed ingredients. Mr. Demetriou also serves on the boards of Foster Wheeler Ltd. (NASDAQ: FWLT) and of privately held Kraton Polymers. He serves on the boards of several community organizations including the United Way of Greater Cleveland, Cuyahoga Community College Foundation and the Cleveland Zoological Society.

Gordon A. Ulsh, age 63, was appointed as a director on February 16, 2007. Mr. Ulsh has served as President, Chief Executive Officer and a director of Exide Technologies, a company specializing in stored electrical energy products and services for industrial and transportation applications around the world since April 2005. From 2001 until March 2005, Mr. Ulsh was Chairman, President and Chief Executive Officer of FleetPride Inc., the nation's largest independent aftermarket distributor of heavy-duty truck parts. Prior to joining FleetPride in 2001, Mr. Ulsh worked with Ripplewood Equity Partners, providing analysis of automotive industry segments for investment opportunities. Earlier, he served as President and Chief Operating Officer of Federal-Mogul Corporation in 1999 and as head of its Worldwide Aftermarket Division in 1998. Prior to Federal-Mogul, he held a number of leadership positions with Cooper Industries, Inc., including Executive

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Vice President of its automotive products segment. Mr. Ulsh joined Cooper's Wagner Brake and Lighting in 1983 as Vice President of Operations (which company was acquired by Cooper Industries, Inc. in 1985), following 16 years in manufacturing and engineering management at Ford Motor Company.

Continuing Directors Whose Term of Office Expires in 2011

William J. Reidy, age 68, has been a director since 2002. Mr. Reidy, a CPA, was the managing partner of the Northeast Ohio practice of PricewaterhouseCoopers LLP. He retired from PricewaterhouseCoopers in 1999 after a 35-year career with the firm. Mr. Reidy is a member of the Board of Trustees of The Cleveland Clinic Foundation, a provider of health care services, and he currently serves on the boards of several community organizations including the Cleveland Clinic Western Region and the Gateway Economic Development Corporation.

Joseph M. Scaminace, age 56, has been a director and our Chief Executive Officer since June 2005 and Chairman of our Board since August 2005. From 1999 to June 2005, Mr. Scaminace was the President, Chief Operating Officer and a board member of The Sherwin-Williams Company, a manufacturer and distributor of coatings. Mr. Scaminace currently is a member of several boards of directors, including Parker-Hannifin Corporation (NYSE:PH), a global producer of fluid power systems, electromechanical controls and related components; Boler Company, a privately held company that makes truck and trailer suspension systems and auxiliary axles systems for the commercial heavy-duty vehicle market; and The Cleveland Clinic Foundation, a provider of health care services.

Continuing Directors Whose Term of Office Expires in 2010

Katharine L. Plourde, age 57, has been a director since 2002. Ms. Plourde was a Principal and analyst at the investment banking firm of Donaldson, Lufkin & Jenrette, Inc., New York, New York, until November 1997. Since that time she has engaged in private investing. Ms. Plourde is a director of Pall Corporation (NYSE:PLL), a global producer of filtration and separation products and systems and also serves as a director of a private corporation.

David L. Pugh, age 60, was appointed as a director on January 9, 2007. Mr. Pugh has served as Chairman of Applied Industrial Technologies Inc. (Applied), an industrial product distributor, since October 2000, and as Applied's Chief Executive Officer since January 2000. He was President of Applied from 1999 to October 2000. Prior to joining Applied, Mr. Pugh was Senior Vice President of Rockwell Automation and general manager of Rockwell's Industrial Control Group. Mr. Pugh is a director of Hexcel Corporation (NYSE:HXL), a plastics materials manufacturer, and of R.W. Becket Corp., a private company.

PROPOSAL 2: APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANT

The Audit Committee has appointed Ernst & Young LLP to serve as our independent registered public accountant for 2009 and requests that stockholders confirm such appointment. Ernst & Young audited our consolidated financial statements and management's report on internal control over financial reporting for 2008. Representatives of Ernst & Young will be present at the annual meeting and will have an opportunity to make a statement if they so desire and to respond to appropriate questions by stockholders. If our stockholders do not confirm Ernst & Young as our independent registered public accountant, the Audit Committee will reconsider the appointment of our independent registered public accountant.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU CONFIRM THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANT FOR 2009.

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CORPORATE GOVERNANCE AND BOARD MATTERS

The Board of Directors

Our Board of Directors has four regularly scheduled meetings per year. These meetings are usually held in our headquarters in Cleveland, Ohio. Directors are expected to attend Board meetings, our annual stockholders' meeting, and the meetings of the committees on which he or she serves. During 2008, the Board met five times and each director attended 100% of the meetings of the Board and those committees on which he or she served, except for one director who was unable to attend one audit committee meeting due to a travel conflict. Each director attended our annual meeting of stockholders held in May 2008.

Our independent directors meet in executive session during each Board meeting. Our lead independent director, Richard W. Blackburn, presides at those executive sessions.

Director Independence

In addition to the independence criteria under the NYSE listing standards, our Board of Directors has adopted additional standards to determine director independence. These standards are located in our CG Principles for Board of Directors, which can be found in the Corporate Governance portion of our website (www.omgi.com).

The Board has affirmatively determined that Richard W. Blackburn, Steven J. Demetriou, Katharine L. Plourde, David L. Pugh, William J. Reidy and Gordon A. Ulsh meet these standards of independence. In assessing Ms. Plourde's independence, the Board considered her position as a director of one of our suppliers, Pall Corporation. The Board determined that the supply relationship between Pall and us did not impact Ms. Plourde's independence or affect her ability to exercise independent judgment as our director. In assessing Mr. Reidy's independence, the Board considered that Mr. Reidy's daughter is employed by PricewaterhouseCoopers, which provides some of our global tax services and also provides support services to our internal auditor. Mr. Reidy's daughter has had no involvement in our account and the Board determined that the relationship did not impact Mr. Reidy's independence or affect his ability to exercise independent judgment as our director. In assessing Mr. Demetriou's independence, the Board considered his position as a director of Kraton Polymers, which has an affiliate that is one of our suppliers. The Board also considered Mr. Demetriou's position as chairman of the board and chief executive officer of Aleris International, Inc., which also is one of our suppliers. The Board determined that these supply relationships did not impact Mr. Demetriou's independence or affect his ability to exercise independent judgment as our director. In assessing Mr. Pugh's independence, the Board considered his position as a director of Hexcel Corporation, the ultimate parent company of one of our customers in Europe. The Board determined that the customer relationship did not impact Mr. Pugh's independence or affect his ability to exercise independent judgment as our director.

Board Committees

The Board has a standing Audit Committee, Compensation Committee, and Nominating and Governance Committee, each composed solely of independent directors as defined by the NYSE listing standards and our corporate governance principles.

The Audit Committee, currently composed of Ms. Plourde and Messrs. Blackburn, Reidy and Ulsh, met eleven times in 2008. Mr. Reidy is the committee chairman. The Audit Committee is responsible for, among other things:

appointing our independent auditors and monitoring our financial reporting process and internal control system;

reviewing and approving in advance any nonaudit services provided by the independent auditor;

overseeing the internal audit and risk management functions; and

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recording, reviewing and resolving as appropriate concerns reported to us regarding accounting, auditing matters or suspected fraud.

In performing its functions, the Audit Committee acts in an oversight capacity for our management processes and systems, internal control structure, financial reporting and risk management. It is not responsible for preparing or assuring the accuracy of our financial statements or filings, or conducting audits of financial statements. The Board has determined that each member of the Audit Committee is independent as defined by Rule 10A-3 of the Securities Exchange Act of 1934. The Board also has determined that each Audit Committee member is financially literate and has designated Mr. Reidy and Ms. Plourde as the Audit Committee financial experts. The Audit Committee's report can be found under Report of the Audit Committee in this proxy statement.

The Nominating and Governance Committee, currently composed of Ms. Plourde and Messrs. Demetriou, Pugh and Reidy, met four times in 2008. Ms. Plourde is the committee chair. The Nominating and Governance Committee is responsible for, among other things:

- recommending to the Board corporate governance principles;
- advising the Board on other matters relating to the affairs or governance of the Board;
- recommending to the Board criteria and qualifications for new Board members;
- recommending to the Board nominees for appointment or election as directors;
- recommending to the Board the establishment of committees; and
- recommending to the Board the composition and the chairs of each committee.

The process followed by the Nominating and Governance Committee for selecting and nominating directors is explained below under Process for Selecting and Nominating Directors.

The Compensation Committee, currently composed of Messrs. Blackburn, Demetriou, Pugh and Ulsh, met four times in 2008. Mr. Demetriou is the committee chairman. The Compensation Committee is responsible for, among other things:

- considering and authorizing the compensation philosophy for our personnel;
- reviewing and evaluating the chief executive officer's performance in light of corporate goals and objectives and, together with any outside directors not on the Compensation Committee, setting the chief executive officer's compensation, and approving perquisites for executives;
- reviewing and evaluating the performance of executives and recommending to the Board rates of executive compensation;
- designating those employees and non-employee directors who will receive awards under our incentive compensation plans, together with the type and size of such grants;
- determining the bonus levels for key executives and middle management employees under our bonus program;

participating in the analysis of our executive compensation programs as described under Compensation Discussion and Analysis in this proxy statement; and

researching, evaluating and recommending to the Board rates of compensation for directors.

Each member of the Compensation Committee qualifies as a non-employee director under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, an outside director under Section 162(m) of the Internal Revenue Code, and an independent director as such term is defined in the NYSE listing standards and under our corporate governance principles. The Compensation Committee has issued a report regarding the Compensation Discussion and Analysis portion of this proxy statement, which report can be found immediately following Executive Compensation in this proxy statement.

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Compensation Committee Interlocks and Insider Participation

None of our directors who served on our Compensation Committee during 2008 was a current or former officer or employee of ours or had any relationship with us that would be required to be disclosed by us under applicable related party requirements. There are no interlocking relationships between our executive officers or directors and the board or compensation committee of another entity.

Process for Selecting and Nominating Directors

In its role as the nominating body for the Board, the Nominating and Governance Committee reviews the credentials of potential director candidates (including potential candidates recommended by stockholders, current directors or management) and conducts interviews and makes formal recommendations to the Board for the annual and any interim election of directors. In making its recommendations, the Nominating and Governance Committee considers a variety of factors, including skills, diversity, experience with business and other organizations of comparable size, the interplay of the candidate's experience with the familiarity and background of other Board members, the extent to which the candidate would be a desirable addition to the Board and any committees of the Board, and such other factors as it deems appropriate and in the best interests of us and our stockholders. In addition, the Nominating and Governance Committee has established the following minimum criteria for Board membership. Director candidates must have demonstrated integrity and ethics both personally and professionally and have a record of professional accomplishment. Each candidate must be objective, inquisitive, practical, and possess mature judgment, as well as be prepared to represent the long-term interests of all our stockholders. Directors are required to fully participate in Board and committee meetings. Each candidate may not serve on more than three public company boards (including ours) and should not be an executive of a company on which one of our executives is a board member. Further, each candidate (or immediate family member, affiliate or associate) may not have any material personal, financial or professional interest in any present or potential competitor of ours. Pursuant to our director retirement policy, each director must resign from our Board upon his or her 72nd birthday or, in the discretion of the Board, prior to the next annual meeting of our stockholders.

As part of the settlement of the shareholder derivative lawsuits that were brought in connection with the decline in our stock price after the third-quarter 2002 earnings announcement, we have established a procedure for the appointment of two stockholder-nominated directors. Under that procedure, a designee appointed by the derivative plaintiffs may work in coordination with our chairman or lead independent director to identify potential director candidates. The derivative plaintiffs' designee did not choose to assist in identifying director nominees in connection with this annual meeting.

The Nominating and Governance Committee will consider candidates for director who are recommended by stockholders. Stockholder recommendations should be submitted in writing to: Chair of the Nominating and Governance Committee, OM Group, Inc., 127 Public Square, 1500 Key Tower, Cleveland, Ohio 44114-1221 USA. The recommendation letter shall include the candidate's name, age, business address, residence address, and principal occupation, as well as the number of shares of our common stock owned by the candidate. The recommendation letter should provide all of the information that would need to be disclosed in the solicitation of proxies for the election of directors under federal securities laws. Finally, the stockholder should also submit the recommended candidate's written consent to be elected and commitment to serve if elected. The Nominating and Governance Committee may also require a candidate to furnish additional information regarding his or her eligibility and qualifications. A complete copy of our Policies and Procedures for Stockholders to Propose Candidates for Directors is available by writing to our Nominating and Governance Committee Chair.

Communications with the Board

You may contact the Board, the lead independent director or the independent directors as a group by sending a letter marked Confidential and addressed to Lead Independent Director, OM Group, Inc., c/o Valerie Gentile Sachs, Secretary, 127 Public Square, 1500 Key Tower, Cleveland, Ohio 44114-1221 USA.

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Our Code of Conduct and Ethics applies to all of our employees, including our chief executive officer, our chief financial officer and our controller. The Code of Conduct and Ethics, our corporate governance principles and all committee charters are posted in the Corporate Governance portion of our website (www.omgi.com). A copy of any of these documents is available in print free of charge to any stockholder who requests a copy by writing to OM Group, Inc., 127 Public Square, 1500 Key Tower, Cleveland, Ohio 44114-1221 USA, Attention: Troy Dewar, Director of Investor Relations.

Certain Relationships and Related Transactions

There were no reportable transactions between us and our officers, directors or any person related to our officers or directors, or with any holder of more than 5% of our common stock, either during 2008 or up to the date of this proxy statement.

We review all transactions between us and any of our officers and directors. Our Code of Conduct and Ethics, which applies to all employees, emphasizes the importance of avoiding situations or transactions in which personal interests interfere with the best interests of us or our stockholders. In addition, our corporate governance principles include procedures for discussing and assessing relationships, including business, financial, familial and nonprofit, among us and our officers and directors. The non-employee directors review any transaction with a director to determine, on a case-by-case basis, whether a conflict of interest exists. The non-employee directors ensure that all directors voting on such a matter have no interest in the matter and discuss the transaction with counsel as necessary. The Board has delegated the task of discussing, reviewing and approving transactions between us and any of our officers to the Audit Committee.

**SECURITY OWNERSHIP OF DIRECTORS,
EXECUTIVE OFFICERS AND CERTAIN BENEFICIAL OWNERS**

Stock Ownership Guidelines

On May 13, 2008, our Board adopted stock ownership guidelines to further align the interests of our executives and non-employee directors with those of our stockholders.

For executives, the recommended minimum stock ownership level is the lesser of an established minimum number of shares or a number of shares having a value that is a specified multiple of an executive's base salary, as follows:

	Minimum Number of Shares	Multiple of Base Salary
Chief Executive Officer	100,000	5x
Chief Financial Officer	20,000	3x
Vice President (Executive level)	20,000	3x

Covered executives are expected to meet the applicable stock ownership guidelines by January 1, 2013, or for any individual becoming a covered executive after May 13, 2008, within five years of becoming a covered executive. Executives should hold at least the minimum number of shares for so long as they are covered executives. Executives who do not meet the guidelines may not sell any common stock they acquire through vesting of restricted stock awards or upon the exercise of stock options, except to pay applicable taxes or the

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option exercise price. Failure to meet the guidelines also may result in a reduction in a covered executive's future long-term incentive awards.

For non-employee directors, the recommended minimum stock ownership level is the lesser of 5,000 shares or a number of shares having a value of 2.5 times the annual cash retainer of a non-employee director. Our non-employee directors are expected to meet the applicable stock ownership guidelines by January 1, 2011, or for an individual becoming a non-employee director after May 13, 2008, within three years of becoming a non-employee director. Non-employee directors should hold at least the minimum number of shares for so long as they are directors. Non-employee directors who do not meet the guidelines will have their entire annual retainer paid in shares until the guidelines are achieved.

Shares counted towards our stock ownership guidelines include shares held directly or through a broker, shares acquired in open market purchases or stock option exercises, and certain of the shares received through restricted stock awards made under our equity-based compensation plans.

Beneficial Ownership

The following table sets forth information concerning the number of shares of our common stock beneficially owned by our current directors, the named executive officers included in the summary compensation table in this proxy statement, and all our directors and executive officers as a group as of January 31, 2009. As of that date, Mr. Scaminace beneficially owned approximately 1.8% of our outstanding shares of common stock and all directors and executive officers as a group beneficially owned approximately 2.6% of our outstanding shares of common stock.

The totals shown below for each person and for the group include shares held personally and shares acquirable within 60 days of January 31, 2009 by the exercise of stock options granted under equity-based compensation plans. Each person has sole voting and investment power with respect to all shares shown.

**Amount and Nature of Beneficial Ownership
as of January 31, 2009**

Name of Beneficial Owner	Direct or Indirect Ownership	Exercisable Options	Total
Richard W. Blackburn	4,095		4,095
Steven J. Demetriou	2,095		2,095
Stephen D. Dunmead	25,650	53,067	78,717
Greg Griffith	16,100	15,626	31,726
Kenneth Haber	25,856	17,067	42,923
Katharine L. Plourde	3,095	2,700	5,795
David L. Pugh	7,081		7,081
William J. Reidy	2,095	3,220	5,315
Valerie Gentile Sachs	25,533	50,401	75,934
Joseph M. Scaminace	187,807	364,089	551,896
Gordon A. Ulsh	2,014		2,014
All directors and executive officers as a group (consisting of 12 persons)	302,421	506,170	808,591

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The following table sets forth information concerning each person known to us to be the beneficial owner of more than 5% of our outstanding common stock as of December 31, 2008, which is the latest date for which we know such information.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
FMR LLC(1) 82 Devonshire Street Boston, Massachusetts 02109	4,575,601	15.02%
WS Management LLLP(2) 225 Water Street, Suite 1987 Jacksonville, Florida 32202	2,093,800	6.87%
Barclays Global Investors, NA(3) 400 Howard Street San Francisco, California 94105	2,091,953	6.87%

- (1) Information regarding share ownership was obtained from the Schedule 13G/A filed jointly on February 17, 2009 by FMR LLC (the successor of FMR Corp.), Edward C. Johnson 3d (Chairman of FMR LLC), Fidelity Management & Research Company (Fidelity), Fidelity Growth Company Fund and Fidelity Low Priced Stock Fund. Fidelity, a wholly-owned subsidiary of FMR LLC, is a registered investment adviser under Section 203 of the Investment Advisers Act of 1940 and is the beneficial owner of 4,575,601 shares or 15.01% of our common stock outstanding as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. The ownership of one investment company, Fidelity Growth Company Fund, amounted to 2,360,000 shares or 7.74% of our common stock outstanding. Each of Fidelity and Fidelity Growth Company Fund has its principal business office at 82 Devonshire Street, Boston, Massachusetts 02109. The ownership of one investment company, Fidelity Low Priced Stock Fund, amounted to 2,197,900 shares or 7.21% of our common stock outstanding. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the Funds each has sole power to dispose of the 4,575,601 shares owned by the Funds. Neither FMR LLC nor Edward C. Johnson 3d has the sole power to vote or direct the voting of the shares owned directly by the Funds, which power resides with the Funds' boards of trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' boards of trustees. Members of the family of Edward C. Johnson 3d are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Class B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC.
- (2) Information regarding share ownership was obtained from the Schedule 13G filed on February 13, 2009 by WS Management LLLP.
- (3) Information regarding share ownership was obtained from the Schedule 13G filed jointly on February 5, 2009 by Barclays Global Investors, NA, Barclays Global Fund Advisors, Barclays Global Investors, LTD, Barclays

Global Investors Japan Trust and Banking Company Limited, Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited, Barclays Global Investors Australia Limited and Barclays Global Investors (Deutschland) AG. Barclays Global Investors, NA has an aggregate beneficial ownership of 690,836 of the shares listed above representing 2.27% of our common stock outstanding, with sole voting power with respect to 566,919 shares and sole dispositive power with respect to 690,836 shares. Barclays Global Fund Advisors, an investment adviser registered under the Investment Advisers Act of 1940, located at 400 Howard Street, San Francisco, California 94105, has an aggregate beneficial ownership of 1,381,012 of the shares listed above representing 4.53% of our common stock, with sole voting power with respect to 1,034,145 shares and sole dispositive power with respect to 1,381,012 shares. Barclays Global Investors, LTD, located at 1 Royal Mint Court, London, EC3N 4HH,

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England, a bank as defined by the Securities Exchange Act of 1934, has an aggregate beneficial ownership of 20,105 of the shares listed above representing 0.07% of our common stock outstanding, with sole voting power with respect to 680 shares and sole dispositive power with respect to the 20,105 shares. Each of Barclays Global Investors Japan Trust and Banking Company Limited, a bank as defined by the Securities Exchange Act of 1934, located at Ebisu Prime Square Tower, 8th Floor, 1-1-39 Hiroo Shibuya-Ku, Tokyo 150-8402 Japan; Barclays Global Investors Japan Limited, an investment adviser registered under the Investment Advisers Act of 1940, located at Ebisu Prime Square Tower, 8th Floor, 1-1-39 Hiroo Shibuya-Ku, Tokyo 150-8402 Japan; Barclays Global Investors Canada Limited, an investment adviser registered under the Investment Advisers Act of 1940, located at Suite 2500, P.O. Box 614, Toronto, Ontario M5J 2S1 Canada; Barclays Global Investors Australia Limited, an investment adviser registered under the Investment Advisers Act of 1940, located at Level 43, Grosvenor Place, 225 George Street, P. O. Box N43, Sydney, Australia NSW 1220; and Barclays Global Investors (Deutschland) AG, an investment adviser registered under the Investment Advisers Act of 1940, located at Apianstrasse 6, D-85774, Unterföhring, Germany, has no beneficial ownership of the shares listed above.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

This compensation discussion and analysis describes the following aspects of our compensation system as it applies to our executives:

Our compensation philosophy and objectives;

The means we employ to achieve our compensation objectives, including the establishment of target total direct compensation and the mix of different types of compensation;

The elements of compensation that are included within total direct compensation, as well as other compensation elements available to our executives; and

The reasons we have elected to pay these elements of compensation to achieve our compensation objectives and how we determine the amount of each element.

Summary

Our compensation philosophy directly connects the compensation of executives to our business results, with over 50% of target total direct compensation based upon the satisfaction of pre-established company performance goals. Company performance directly affects payments under our annual and long-term incentive programs.

We had record operating profits for the first nine months of 2008, due primarily to higher product selling prices resulting from high average cobalt reference prices, strong end-market demand for our products and acquisitions completed in 2007. However, we recorded an operating loss in the fourth quarter of 2008, as the cobalt reference price fell precipitously and the end-market demand for our products decreased dramatically with t