

II-VI INC  
Form DEF 14A  
September 24, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

- 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 167;240.14a-12

**II-VI INCORPORATED**

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(Name of Registrant as Specified In Its Charter)

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No fee required.

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3) Filing Party:

4) Date Filed:

**375 Saxonburg Boulevard  
Saxonburg, Pennsylvania 16056**

**Notice of Annual Meeting of Shareholders  
to be held on November 5, 2010**

TO THE SHAREHOLDERS OF

II-VI INCORPORATED:

The Annual Meeting of Shareholders of II-VI Incorporated will be held at the offices of the Company, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania, 16056, on Friday, November 5, 2010, at 1:30 p.m. local time to consider and act upon the following matters:

1. Election of the two (2) directors nominated by the Board of Directors for a term to expire in 2013; and
2. Ratification of the Audit Committee's selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2011.

The shareholders will also be asked to consider such other matters as may properly come before the meeting.

The Board of Directors has established the close of business on Friday, September 3, 2010, as the record date for determination of shareholders entitled to notice of, and to vote at, the Annual Meeting.

We are pleased to take advantage of the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their shareholders on the Internet. We believe that the rules allow us to provide our shareholders with the information they require, while lowering costs of delivery and reducing the environmental impact of our Annual Meeting.

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IF YOU ARE UNABLE TO ATTEND THE MEETING, WE URGE YOU TO VOTE YOUR PROXY. YOU HAVE THREE VOTING OPTIONS:

Over the Internet, which we encourage if you have Internet access, at the address shown on your proxy card;

By telephone, through the number shown on your proxy card; or

By mail, by completing, signing and returning the enclosed proxy card in the enclosed envelope.

BY ORDER OF THE BOARD OF DIRECTORS

Robert D. German, *Secretary*

September 24, 2010

**375 Saxonburg Boulevard**

**Saxonburg, Pennsylvania 16056**

**PROXY STATEMENT FOR THE ANNUAL MEETING  
OF SHAREHOLDERS**

**November 5, 2010**

This proxy statement is being furnished to the shareholders of II-VI Incorporated, a Pennsylvania corporation (the **Company**) in connection with the solicitation by the Board of Directors (also sometime referred to hereinafter as the **Board**) of the Company of proxies to be voted at the annual meeting of shareholders (the **Annual Meeting**) scheduled to be held on Friday, November 5, 2010, at 1:30 p.m. local time at the offices of the Company, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania, 16056. This proxy statement was first made available to shareholders on or about September 24, 2010.

Pursuant to the rules adopted by the Securities and Exchange Commission (the **SEC**), we have elected to provide access to this proxy statement and our Annual Report to Shareholders over the Internet. Accordingly, we are sending an Important Notice Regarding the Availability of Proxy Materials (the **Notice**) to many of our shareholders instead of a paper copy of these proxy materials. All shareholders who do not receive the Notice will receive a paper copy of these proxy materials along with a form of proxy card by mail. All shareholders will have the ability to access our proxy statement and Annual Report to Shareholders on the Internet at [www.proxyvote.com](http://www.proxyvote.com) or to request to receive a printed set of the proxy materials, including a proxy card. Instructions on how to access our proxy materials over the Internet or to request a printed copy may be found on the Notice. In addition, shareholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis.

**QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING**

**Why am I receiving these proxy materials?**

We have made these proxy materials available to you on the Internet or, upon your request, delivered printed versions of these materials to you by mail, in connection with our Board of Directors' solicitation of your proxy vote for use at our Annual Meeting of Shareholders to be held on

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November 5, 2010. We request that you cast your vote on each of the proposals described in this Proxy Statement. You are invited to attend the Annual Meeting, but you do not need to attend the meeting in person to vote your shares.

If you have received a printed copy of these proxy materials by mail, you may simply complete, sign and return your proxy card or vote by proxy over the telephone or the Internet as instructed. If you did not receive a printed copy of these materials by mail and are accessing them on the Internet, you may simply follow the instructions to submit your proxy on the Internet.

We intend to mail a printed copy of this Proxy Statement and proxy card and the Company's Annual Report to our registered shareholders on or about September 24, 2010. All other shareholders will receive a Notice, which we intend to mail on or about September 24, 2010.

**What items will be voted on at the Annual Meeting?**

There are two matters scheduled for a vote:

The election as a director of Peter W. Sognefest, who has served as a director of the Company since 1979, and Francis J. Kramer, who has served as a director of the Company since 1989.

The ratification of the Audit Committee's selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2011.

**Who can vote at the Annual Meeting?**

Only shareholders of record as of the close of business on Friday, September 3, 2010 (the Record Date), are entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. The outstanding capital stock of the Company on that date consisted of 30,919,359 shares of Common Stock, no par value (Common Stock), each entitled to one vote per share.

**What is the quorum requirement?**

A quorum of shareholders is necessary to hold a valid meeting. A quorum will be present if at least 15,459,680 shares, a majority of the shares outstanding on the Record Date, are represented at the meeting in person or by proxy. Your shares will be counted towards the quorum only if you submit a valid proxy vote or vote in person at the meeting. Abstentions and broker non-votes (which are explained below) will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the meeting in person represented by proxy may adjourn the meeting to another date.

**Why did I receive a Notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?**

Pursuant to rules adopted by the SEC, we provide shareholders access to our proxy materials via the Internet. On or about September 24, 2010, we sent a Notice to our shareholders of record and beneficial owners. All shareholders will have the ability to access the proxy materials on a website referred to in the Notice. Shareholders may request to receive a full set of printed proxy materials by mail. Instructions on how to access the proxy materials on the Internet or request a printed copy may be found in the Notice.

**What does it mean if I receive more than one Notice?**

If you receive more than one Notice, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on each Notice to ensure that all of your shares are voted.



**How will my shares be voted?**

All shares represented by valid proxies received by the Company prior to the Annual Meeting will be voted as specified in the proxy. If no specification is made, the shares will be voted as described below under the caption Recommendation of the Board of Directors. Unless otherwise indicated by the shareholder, the proxy card also confers discretionary authority on the Board-appointed proxies to vote the shares represented by the proxy on any matter that is properly presented for action at the Annual Meeting.

*Proposal 1 (The Election of two Class Two Directors)* With respect to Proposal 1, you may vote FOR both nominees named herein, or you may withhold your vote from any nominee that you specify or both nominees. The holders of Common Stock have cumulative voting rights in the election of directors. This means that in voting for directors, a shareholder has the right to multiply the total number of shares which the shareholder is entitled to vote by the number of directors to be elected in each class, and to cast the whole number of votes so determined for one nominee in the class or to distribute them among the nominees if more

than one nominee is named in such class. Unless otherwise indicated by the shareholder, a vote for the nominees of the Board of Directors will give the named proxies discretionary authority to cumulate all votes to which the shareholder is entitled and to allocate them after the total vote counts are available in favor of any one or more of such nominees as the named proxies determine, with a view to maximizing the number of nominees of the Board of Directors who are elected. The effect of cumulation and voting in accordance with that discretionary authority may be to offset the effect of a shareholder having withheld authority to vote for an individual nominee or nominees because the proxies will be able to allocate votes of shareholders who have not withheld authority to vote in any manner they determine among such nominees. If a shareholder desires specifically to allocate votes among one or more nominees, the shareholder should so specify when voting.

*Proposal 2 (the Ratification of the Election of Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm)* With respect to the ratification of the appointment of Ernst & Young LLP (Proposal 2), you may vote FOR or AGAINST Proposal 2, the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2011, or you may ABSTAIN from voting on this proposal.

#### **How many votes are needed to approve each proposal?**

*Proposal 1 (the Election of two Class Two Directors)* The two nominees receiving the most FOR votes among votes properly cast will be elected as Class Two directors, whose terms will expire in 2013. Only the nominees named herein have been properly nominated for election as directors.

*Proposal 2 (the Ratification of the Election of Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm)* To be approved, the number of votes cast FOR the proposal must exceed the number of votes AGAINST the proposal plus the number of votes that ABSTAIN from the proposal.

#### **How are abstentions and broker non-votes counted?**

Under the Company's Articles of Incorporation, By-Laws and applicable law, the affirmative vote of shareholders entitled to cast at least a majority of the votes which all shareholders present at the meeting in person or by proxy are entitled to cast generally is required for shareholder approval, including the ratification of the Audit Committee's selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2011. As such, abstentions will have the effect of a negative vote with respect to the ratification of the selection of the auditors (Proposal 2). With regard to the election of directors (Proposal 1), votes may be cast in favor of a candidate or may be withheld. Since directors are elected by a plurality, abstentions will have no effect on the election of directors.

If your shares are held by a broker (in street name), the broker will ask you how you want your shares to be voted. If you give the broker instructions, your shares will be voted as you direct. If you do not give instructions, one of two things will happen depending on the type of proposal. For the ratification of the selection of the auditors (Proposal 2), which is considered a routine matter, the broker may vote your shares in its discretion. For the election of directors (Proposal 1), which is considered a non-routine matter, the broker may not vote your shares in its discretion. This results in a broker non-vote with respect to such matter. Broker non-votes, however, will have no effect on the election of directors since, by definition, they are not entitled to be cast on this matter.

#### **How do I revoke my proxy?**

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A shareholder giving a proxy has the power to revoke it any time prior to its exercise by delivering to the Company a written revocation or a duly executed proxy bearing a later date (although no revocation shall be effective until notice thereof has been given to the Secretary of the Company), or by attendance at the meeting and voting his or her shares in person.

**What is the difference between holding shares as a stockholder of record and as a beneficial owner of shares held in street name?**

*Shareholder of Record:* If, on the Record Date, your shares were registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, then you are a shareholder of record with respect to those shares.

*Beneficial Owner of Shares Held in Street Name:* If, on the Record Date, your shares were held in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of shares held in street name, and the Notice was forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct the shareholder of record on how to vote the shares held in your account. You are also invited to attend the Annual Meeting.

**If I am a shareholder of record of II-VI shares, how do I vote?**

If you are the shareholder of record, you may vote in person at the Annual Meeting or by proxy.

To vote in person, come to the Annual Meeting and cast your vote prior to the start of the Annual Meeting.

If you do not wish to vote in person or if you will not be attending the Annual Meeting, you may vote by proxy. You can vote by proxy over the Internet by following the instructions provided in the Notice, or if you request a full set of printed copies of the proxy materials by mail, you may also vote by mail or by telephone.

**If I am a beneficial owner of II-VI shares held in street name, how do I vote?**

If you are a beneficial owner of shares registered in the name of your broker, bank, dealer or other similar organization, and you wish to vote in person at the Annual Meeting, you should obtain a valid proxy from the organization that holds your shares. If you do not wish to vote in person or you will not be attending the Annual Meeting, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. Please follow the voting instructions provided by your broker, dealer or other similar organization to ensure that your vote is counted.

**How can I find out the voting result of the Annual Meeting?**

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be tallied by the judges of elections after the Annual Meeting and published in a Current Report on Form 8-K that will be filed with the SEC and available on our website.

**RECOMMENDATION OF THE BOARD OF DIRECTORS**

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**The Board of Directors of the Company unanimously recommends a vote FOR each of the Board's nominees named below for election as director and FOR the ratification of the Audit Committee's selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2011.**

**ELECTION OF DIRECTORS**

**(PROPOSAL 1)**

The Company's By-Laws provide that the Board of Directors shall establish the number of directors which shall be not less than five nor more than nine members. The By-Laws also provide for a board of directors of three classes, each class consisting of as nearly an equal number of directors as practicable, as determined by the Board. At present, the Board of Directors of the Company has determined that the number of directors shall be seven, consisting of two directors in Classes One and Two and three directors in Class Three.

Two directors of Class Two are to be elected to hold office for a term of three years until such time as their respective successors are elected and qualified, subject to the right of the shareholders to remove any director as provided in the By-Laws. A vacancy in the office of a director may be filled by the remaining directors then in office, even if less than a quorum, or by the sole remaining director. Any director elected by the Board of Directors to fill a vacancy shall serve until his or her successor is elected, or until his or her death, resignation or removal. If the Board of Directors increases the number of directors, any vacancy so created may be filled by the Board of Directors.

The professional and personal backgrounds, experience, qualifications attributes and skills of each of the director nominees, which are described below, reflect the qualities that the Company seeks in its Board members. In addition to the specific examples set forth below, the Board and the Company believe that the broad-based business knowledge, commitment to ethical and moral values, personal and professional integrity, sound business judgment and commitment to corporate citizenship demonstrated by the nominees make them exceptional candidates for these positions.

The persons named as proxies on the proxy card were selected by the Board of Directors and have advised the Board of Directors that, unless authority is withheld, they intend to vote the shares represented by them at the Annual Meeting as follows: for the election of Peter W. Sognefest, who has served as a director of the Company since 1979, and for the election of Francis J. Kramer, who has served as a director of the Company since 1989.

The Board of Directors knows of no reason why either nominee for director would be unable to serve as director. If at the time of the Annual Meeting either of the named nominees is unable or unwilling to serve as a director of the Company, the persons named as proxies intend to vote for such substitute as may be nominated by the Board of Directors. The following sets forth certain information concerning each nominee for election as a director of the Company and each director whose term of office will continue after the meeting.

**Nominees for Class Two Directors Whose Terms will Expire in 2013**

**Peter W. Sognefest**, 69, has served as a Director of the Company since 1979. Mr. Sognefest is President, Chief Executive Officer and Chairman of Seamoc, Inc., a private consulting firm. From 2002 to 2003, Mr. Sognefest was Vice-Chairman of Xymox Technologies, Inc. ( Xymox ), a manufacturer of membrane switches. From 1996 to 2002, he was President and Chief Executive Officer of Xymox. From 1994 until 1996, he was President and Chief Executive Officer of LH Research, Inc. From 1992 until 1994, he was President and Chief Executive Officer of IRT Corporation. Until 1992, Mr. Sognefest was Chairman of Digital Appliance Controls, Inc. (DAC), which he founded in 1984. Mr. Sognefest was previously Vice President and General Manager of the Industrial Electronics Division of Motorola, Inc. ( Motorola ) from 1982 to 1984, having joined Motorola in 1977. From 1967 to 1977, he was with Essex Group, Inc., a wholly owned subsidiary of United Technologies Corporation, where he held the position of General Manager of Semi-Conductor Operations. Mr. Sognefest holds B.S. and M.S. degrees in Electrical Engineering from the University of Illinois. Mr. Sognefest brings to our Board leadership skills developed through his extensive executive management experience. In particular, his experience and knowledge of manufacturing in Asia contributes to the Board's breadth of knowledge in this area. For all of these reasons, our Corporate Governance and Nominating Committee and Board have concluded that Mr. Sognefest

should be nominated to serve as a director.

**Francis J. Kramer**, 61, has served as a Director of the Company since 1989. Mr. Kramer has been employed by the Company since 1983, has been its President since 1985, and has been its Chief Executive Officer since 2007. Previously, Mr. Kramer served as Chief Operating Officer from 1985 to 2007. Mr. Kramer joined the Company as Vice President and General Manager of Manufacturing and was named Executive Vice President and General Manager of Manufacturing in 1984. Prior to his employment by the Company, Mr. Kramer was the Director of Operations for the Utility Communications Systems Group of Rockwell International Corp. Mr. Kramer graduated from the University of Pittsburgh with a B.S. degree in Industrial Engineering and from Purdue University with an M.S. degree in Industrial Administration. Mr. Kramer provides the Board with insight into the Company's business operations, opportunities and challenges. In addition, Mr. Kramer's history with the Company, laser industry experience and business background support his leadership skills and contributions to the Board. For all of these reasons, our Corporate Governance and Nominating Committee and Board have concluded that Mr. Kramer should be nominated to serve as a director.

**The Board of Directors of the Company unanimously recommends a vote FOR each of the Board's nominees named above for election as director.**

#### **Existing Class Three Directors Whose Terms Expire in 2011**

**Carl J. Johnson**, 68, has served as a Director of the Company since 1971. Dr. Johnson was a co-founder of the Company in 1971. He retired as an employee effective May 31, 2010. Dr. Johnson continues to serve as Chairman of our Board (in a non-executive capacity). He served as President of the Company from 1971 until 1985, as Chief Executive Officer from 1985 until 2007, and in the executive position of Chairman from 2007 to 2010. From 1966 to 1971, Dr. Johnson was Director of Research & Development for Essex International, Inc., an automotive electrical and power distribution products manufacturer. From 1964 to 1966, Dr. Johnson worked at Bell Telephone Laboratories as a member of the technical staff. Dr. Johnson completed his Ph.D. in Electrical Engineering at the University of Illinois. He holds B.S. and M.S. degrees in Electrical Engineering from Purdue University and Massachusetts Institute of Technology (MIT), respectively. His scientific knowledge along with his technological vision and operational know-how provide strategic direction to the Company and the Board of Directors.

**Thomas E. Mistler**, 68, has served as a Director of the Company since 1977. Mr. Mistler was an operating partner for Buckingham Capital Partners, a private investment firm, from 2003 through 2009. Mr. Mistler was President, Chief Executive Officer and a Director of ESCO Holding Corp. and Engineered Arresting Systems Corporation, a manufacturer of aircraft and vehicle arresting systems, from 1999 to 2003. Previously, he was Senior Vice President of Energy Systems Business for Westinghouse Electric Corporation ( Westinghouse ) and from 1965 to 1998. Mr. Mistler served in various engineering, marketing and general management capacities with Westinghouse including serving as President of Westinghouse Saudi Arabia Limited from 1981 to 1984. Mr. Mistler graduated from Kansas State University with B.S. and M.S. degrees in Engineering. Mr. Mistler possesses executive management, operational and corporate governance experience, which contribute greatly to our Board. In addition, his engineering background and the international business experience he has developed throughout his career make him a valuable member of our Board of Directors.

Joseph J. Corasanti, 46, has served as a Director of the Company since 2002. Mr. Corasanti has served as President and Chief Executive Officer of CONMED Corporation ( CONMED ), a publicly traded medical technology company, since 2006. From 1999 to 2006, he served as President and Chief Operating Officer of CONMED. From 1998 to 1999, he was Executive Vice President/General Manager of CONMED. He served as General Counsel and Vice President-Legal Affairs for CONMED from 1993 to 1998. From 1990 to 1993, he was an Associate Attorney with the Los Angeles office of the law firm of Morgan, Wenzel & McNicholas. Mr. Corasanti holds a B.A. degree in Political Science from Hobart College and a J.D. degree from Whittier College School of Law. He is a director of CONMED. Mr. Corasanti's current executive position and his service on another publicly traded company's board have provided him with leadership skills and experience in a variety of matters which he contributes to the Company's Board. His experience and skill set, including his legal background, make him a valuable member of our Board of Directors.



**Existing Class One Directors Whose Terms Expire in 2012**

**Marc Y.E. Pelaez**, 64, has served as a Director of the Company since 2002. Mr. Pelaez is a Rear Admiral, United States Navy (retired). Rear Admiral Pelaez currently is a private consultant to defense and commercial companies. He was Vice President of Engineering and later Vice President of Business and Technology Development for Newport News Shipbuilding from 1996 until 2001, when it was acquired by Northrop Grumman Corporation. From 1993 to 1996, Rear Admiral Pelaez served as Chief of Naval Research. He served as the Executive Assistant to the Assistant Secretary of the Navy (Research, Development, and Acquisition) from 1990 to 1993. From 1968 to 1990, he held numerous positions, including command assignments in the United States Navy. He is a graduate of the United States Naval Academy. Mr. Pelaez has a broad technical background and understanding of technology and technology development, an understanding of military procurement practices as well as management leadership and consulting skills developed throughout his military and civilian careers. All of these factors make him a valuable member of our Board of Directors.

**Wendy F. DiCicco**, 43, has served as a Director of the Company since 2006. Ms. DiCicco has served as Chief Financial Officer of Quench USA, a privately held company providing purified water, since 2010. From 2008 to 2009, Ms. DiCicco served as Chief Financial Officer of Globus Medical, Inc., a medical technology company, since 2008. From 1998 to 2008, Ms. DiCicco served as Chief Financial Officer of Kensey Nash Corporation, a medical technology company. From 1996 to 1998, she was Controller of Kensey Nash Corporation. She was an Accounting and Audit Manager with Deloitte & Touche from 1994 to 1996. From 1990 to 1994, she held positions of Staff Accountant and Senior Accountant with Deloitte & Touche. Ms. DiCicco graduated from Philadelphia College of Textiles and Science with a B.S. degree in Accounting. Ms. DiCicco is a Certified Public Accountant in the Commonwealth of Pennsylvania and is a member of the American Institute of Certified Public Accountants, Pennsylvania Institute of Certified Public Accountants and Financial Executives International. Ms. DiCicco adds financial reporting and management skills as a result of her career, including her experience with a large public accounting firm, and further enhances the Board's knowledge base with respect to accounting, financial and other matters and make her a valuable member of our Board of Directors.

## **DIRECTOR INDEPENDENCE AND CORPORATE GOVERNANCE**

The Company's Corporate Governance Guidelines provide that, in accordance with II-VI Incorporated's long-standing policy, a substantial majority of the members of the Company's Board of Directors must qualify as independent directors. The Company's Board of Directors has determined that none of the continuing directors or nominees for election as director, other than Carl J. Johnson and Francis J. Kramer, has a material relationship with the Company (other than as director) and is therefore independent within the meaning of the current listing standards of Nasdaq. In its annual review of director independence, the Board of Directors considers all commercial, banking, consulting, legal, accounting or other business relationships any director may have with the Company. The Board of Directors considers a material relationship to be one that impairs or inhibits, or has the potential to impair or inhibit, a director's exercise of critical and disinterested judgment on behalf of the Company and its shareholders. When assessing the materiality of a director's relationship with the Company, the Board of Directors considers all relevant facts and circumstances not only from the standpoint of the director in his or her individual capacity, but also from the standpoint of the persons to whom the director is related and organizations with which the director is affiliated.

### **Code of Business Conduct and Ethics**

The Board of Directors has approved and adopted a Code of Business Conduct and Ethics applicable to all directors, officers and employees of the Company and its subsidiaries. In addition, the Company has adopted an additional Code of Ethics for Senior Financial Officers. These documents are available on the Company's website at [www.ii-vi.com](http://www.ii-vi.com). The Company will promptly disclose on its website (i) any amendments or waivers with respect to a director's or executive officer's compliance with the Code of Business Conduct and Ethics, and (ii) any amendments or waivers with respect to any provision of the Code of Ethics for Senior Financial Officers.

### **Board's Role in the Oversight of Risk Management**

The Audit Committee of the Board of Directors has been designated to take the lead in overseeing risk management at the Board level. Accordingly, the Audit Committee schedules time for periodic review of risk assessment and management activities being undertaken by management throughout the year, in addition to its other duties. In this role, the Audit Committee receives reports from management, internal audit, and other advisors, and strives to generate serious and thoughtful attention to the Company's risk management process and system, the nature of the material risks the Company faces, and the adequacy of the Company's policies and procedures designed to respond to and mitigate these risks. Although the Audit Committee leads these efforts, risk management is periodically reported on at the full Board level and feedback is sought from each director as to the most significant risks that the Company faces. This is principally accomplished through Audit Committee reports to the Board and discussion with management.

In addition to the formal compliance program, the Board and the Audit Committee encourage management to promote a corporate culture that understands risk management and incorporates it into the overall corporate strategy and day-to-day business operations of the Company. The Company's risk management structure also includes an ongoing effort to assess and analyze the most likely areas of future risk for the Company and to address them in its long-term planning process.

### **Review and Approval of Related Person Transactions**

The Company's policies and procedures for review, approval or ratification of transactions with related persons are not contained in a single policy or procedure; instead, relevant aspects of such program are drawn from corporate documents.

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The Company's Code of Business Conduct and Ethics requires that all of the Company's and the Company's subsidiaries' directors, officers and employees refrain from activities that might involve a conflict of

interest. Additionally, the Company's Code of Business Conduct and Ethics provides that each of the Company's and the Company's subsidiaries directors, officers and employees must openly and honestly handle any actual, apparent or potential conflict between that individual's personal and business relationships and the Company's interests. Before making any investment, accepting any position or benefit, participating in any transaction or business arrangement or otherwise acting in a manner that creates or appears to create a conflict of interest, such person must make a full disclosure of all relevant facts and circumstances to, and obtain the prior written approval of, the Company. Waivers of this Code for any of the Company's executive officers or directors shall be granted only by the Board of Directors or a properly designated committee of the Board. It is expected that only those matters that are in the best interests of the Company would be approved or waived under this Code. Employees are required and encouraged to report violations of the Code, and such reports may be made anonymously. Anonymous reports are to be forwarded for review by the Audit Committee.

### **Nomination of Candidates for Director**

The Company may consider candidates for director identified by several sources including existing directors, members of the Company's management team, shareholders and third-party search firms.

The Company's By-Laws describe the procedures to be followed by a shareholder in recommending nominees for director. In general, such nominations can only be made by a shareholder entitled to notice of, and to vote at, a meeting at which directors are to be elected, must be in writing and must be received by the Chairman of the Board of Directors no later than (i) with respect to the election of directors at an annual meeting, 90 days prior to the anniversary date of the prior year's annual meeting, or (ii) with respect to the election of directors at a special meeting, within 10 days after notice of such meeting is given to shareholders or publicly disseminated. In addition, the nominations must include certain information regarding the nominating shareholder and the nominee for director, including their relationship and any understanding between such persons regarding such nomination, the shares owned by the nominating shareholder, the number of shares to be voted for such nominee and information concerning such nominee that would be required in a proxy statement filed with the Securities and Exchange Commission.

The Corporate Governance and Nominating Committee considers a variety of factors when determining whether to recommend a nominee for election to the Board of Directors, including those factors set forth in the Company's Corporate Governance and Nominating Committee Charter. In general, candidates nominated for election or re-election to the Board of Directors should possess the following qualifications:

High personal and professional ethics, integrity, practical wisdom and mature judgment;

Broad training and experience in policy-making decisions in business;

Expertise that is useful to the Company and complementary to the background and experience of other directors;

Willingness to devote the amount of time necessary to carry out the duties and responsibilities as a director;

Commitment to serve on the Board of Directors over a period of several years in order to develop knowledge about the Company's principal operations; and

Willingness to represent the best interests of all shareholders and objectively appraise management performance.

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Potential candidates are screened and interviewed by the Corporate Governance and Nominating Committee of the Board of Directors. The Corporate Governance and Nominating Committee reviews the skills and attributes of Board members and candidates for the Board (including any candidates recommended by shareholders) within the context of the current make-up of the full Board, which is premised on the concept that the Company's Board members should have individual backgrounds that, when combined, provide a diverse portfolio of experience and knowledge that will serve the Company's governance and strategic needs. Although

the Board does not have a specific diversity policy, candidates for Board service are considered on the basis of a range of criteria (in addition to the qualifications described above) including the current composition of the Board and the need to maintain a diversity of talents, backgrounds and perspectives. Candidates are also evaluated as to their broad-based business knowledge and contacts, prominence, commitment to ethical and moral values, personal and professional integrity, sound reputation in their respective fields as well as a global business perspective and commitment to corporate citizenship.

All members of the Board of Directors may interview the final candidates. The same identifying and evaluating procedures apply to all candidates for director nomination, including candidates submitted by shareholders.

### **Size of the Board**

As provided in the Corporation's Articles of Incorporation, the Board of Directors is comprised of no less than five and no more than nine members. The exact number of directors is determined by the Board based on its current composition and requirements.

### **Board Structure and Lead Independent Director**

The role of Chairman of the Board is currently held by Carl J. Johnson, while the role of Chief Executive Officer is held by Francis J. Kramer. Our Board believes that the separation of these roles helps to ensure independent oversight of the Company, while at the same time, enables our Chief Executive Officer to focus his energies on the management of the Company and its day-to-day operations.

Dr. Johnson served as Executive Chairman of our Board from 1985 until May 31, 2010, when he officially retired. He continues to serve as Chairman of our Board, albeit in a non-executive capacity. During the time that Dr. Johnson served as Executive Chairman, our Board determined that it was appropriate to appoint a lead independent director, in order to ensure that the Board of Directors served in a capacity which was independent of management and that the directors had an independent leadership contact. Thomas E. Mistler was appointed by the Board of Directors to fill this position. Despite the fact that Dr. Johnson no longer serves as Chairman in an executive capacity, our Board has determined that it is appropriate to maintain the Lead Independent Director position during this transition period.

In general, the major responsibilities of the Lead Independent Director include:

Chairing executive sessions of the independent directors conducted at each Board of Directors meeting;

Acting as a liaison between the Board of Directors and the Chief Executive Officer;

Supporting the Chairman in the setting of the agenda for Board of Directors meetings, based on input from other directors;

Chairing meetings of the Board of Directors in the absence of the Chairman; and

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Carrying out other duties as requested by the Corporate Governance and Nominating Committee and the Board of Directors.

### **Compensation of Directors**

The Board of Directors sets the level of compensation for directors, based on the recommendation of the Compensation Committee, and taking into account the impact of compensation on director independence. Directors who are also current employees of the Company receive no additional compensation for services as directors.

The Compensation Committee periodically reviews the amount and form of compensation paid to directors, taking into account the compensation paid to directors of other comparable companies. The Committee conducts its review with the assistance of its outside independent compensation consultant, Mercer Human Resource Consulting ( Mercer ), in the field of executive compensation. See Director Compensation in this proxy statement.

### **Stock Ownership Program**

In order to further align the directors and executive officers interests with those of II-VI Incorporated s shareholders, the Board of Directors has established a stock ownership program that requires each director to own at least 2,000 shares of the Company s Common Stock. The Board of Directors has also established a stock ownership program that requires the Chief Executive Officer to own Company Common Stock having a value of at least three times his annual base salary and all other named executive officers to own Company Common Stock having a value that is at least equal to their annual base salary. A director who does not comply with this program would not be permitted to stand for re-election. As of the date of this proxy statement, all directors and executive officers currently meet or exceed this requirement.

Wendy F. DiCicco, who was re-elected as a director for a term expiring in 2012 at the Annual Meeting of Shareholders held in November 2009, owned 325 shares less than the required amount of shares at the time of her re-election due to an oversight, although she did acquire such 325 shares to bring her into compliance with this requirement in January 2010. This matter was reviewed by our Lead Independent Director and the Corporate Governance and Nominating Committee, and additional procedures will be established to ensure future compliance.

### **Director Mandatory Retirement**

The Board of Directors has adopted a retirement policy for directors. Under this policy, directors must retire and/or resign from the Board of Directors upon reaching the age of 75. There are no directors retiring under this provision at the Annual Meeting.

### **Standing Board Limits**

Board members are limited to serving on a maximum of three public company boards excluding the Company. All directors currently comply with this requirement.

### **Change in Director Occupation**

Pursuant to a policy adopted by the Board of Directors, when a director s principal occupation or business association changes substantially during his or her tenure as a director, that director should tender his or her resignation for consideration by the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee will recommend to the Board the action, if any, to be taken with respect to the resignation.

### **Access to Independent Advisors**



The Board of Directors and its committees have the right to retain independent outside financial, legal or other advisors, as necessary and appropriate. The Company bears the cost of retaining such advisors.

**Executive Sessions of Independent Directors**

Executive sessions of independent directors, consisting of all directors other than Carl J. Johnson and Francis J. Kramer, are regularly scheduled and held at each meeting of the Board of Directors. The Lead Independent Director presides over these meetings.

### **Self-Evaluation, Self-Assessment and Director Continuing Education**

The Board of Directors has a process whereby the full board and its members are subject to periodic self-evaluation and self-assessment. This process was most recently completed during fiscal year 2007.

The Board of Directors works with management to schedule new director orientation programs and director continuing education programs. The orientation programs are designed to familiarize new directors with the Company's businesses, strategies and challenges, and to assist new directors in developing and maintaining skills necessary or appropriate for the performance of their responsibilities. Continuing education programs for board members may include a mix of in-house and third-party presentations and programs.

### **Meetings of the Board**

The Board meets regularly on previously determined dates. Board meetings are held at least quarterly. Each Board member is expected to attend Board meetings and meetings of the committees on which the director serves either in person or by telephone, and to attend in person annual meetings of the Company's shareholders.

### **Board Materials and Presentations**

The agenda for each meeting is provided in advance of the meeting, together with written materials on matters to be presented for consideration, for the directors' review prior to the meeting. As a general rule, written materials are provided in advance on all matters requiring Board action. Written materials are designed to provide concise summaries of the relevant information, a foundation for the Board's discussion of key issues and to make the most efficient use of the Board's meeting time. Directors may request from the Company any additional information they believe to be necessary to perform their duties.

### **Director Attendance at Annual Meeting of Shareholders**

Directors are expected to attend the Annual Meeting of Shareholders. All of the incumbent directors attended last year's annual meeting.

### **Communications with Directors**

Shareholders wishing to communicate with the Company's Board of Directors may do so by sending a written communication addressed to the Lead Independent Director or to any member of the Board of Directors individually in care of II-VI Incorporated, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania 16056. Any communication addressed to a director that is received at the Company's principal executive offices will be delivered or forwarded to the individual director as soon as practical except for advertisements, solicitations or other matters unrelated to the Company. The Company will forward all communications received from its shareholders that are simply addressed to the Board of Directors to the chairperson of the committee of the Board of Directors whose purpose and function is most closely related to the subject matter of the communication.

**MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS**

The Company's Board of Directors held six (6) meetings during the fiscal year ended June 30, 2010. Certain meetings were held over a two-day period. Each director attended 100% of the meetings of the Board of Directors and any committee of which he or she was a member.

The Board of Directors has four standing Committees: Audit; Compensation; Corporate Governance and Nominating and Subsidiary. The Board of Directors has the authority to hire independent advisors to help fulfill its duties.

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### **Audit Committee**

The Board has an Audit Committee of independent directors. The Audit Committee's duties, in accordance with its written charter (a current copy of which is available on the Company's website at [www.ii-vi.com](http://www.ii-vi.com)), include monitoring performance of the Company's business plan, reviewing the Company's internal accounting methods and procedures and reviewing certain business strategies. The Audit Committee has the authority to hire independent advisors to help fulfill its duties. The Audit Committee has established procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters. The Board of Directors has determined that Wendy F. DiCicco qualifies as an audit committee financial expert, as such term is defined by the Securities and Exchange Commission, and that she has the requisite level of financial sophistication required by the listing standards of Nasdaq. Each member of the Audit Committee is also independent as that term is defined under Rule 10A-3(b)(1)(ii) of the Exchange Act and meets all applicable listing standards of Nasdaq. The Audit Committee is comprised of Wendy F. DiCicco (Chairperson), Joseph J. Corasanti, and Thomas E. Mistler. The Audit Committee met four (4) times in fiscal 2010.

### **Compensation Committee**

The Board has a Compensation Committee, comprised of independent directors, which is responsible for determining, in accordance with its written charter (a current copy of which is available on the Company's website at [www.ii-vi.com](http://www.ii-vi.com)), the compensation of the Company's directors and executive officers. The Compensation Committee's duties also include administering and interpreting the Company's 2009 Omnibus Plan (the 2009 Omnibus Plan). The Compensation Committee selects from eligible employees those persons to whom awards will be granted and determining the type of award, the number of shares to be included in each award, any restrictions on exercise or vesting for some or all of the shares subject to the award and the award price. In addition, the Compensation Committee is responsible for proscribing, amending and rescinding rules and regulations relating to the 2009 Omnibus Plan; suspending the operation of the 2009 Omnibus Plan; and making all other determinations necessary to the administration of the 2009 Omnibus Plan, including the appointment of individuals to facilitate the day-to-day operation thereof. The Compensation Committee has the authority to hire independent advisors to help fulfill its duties. The Compensation Committee is comprised of Peter W. Sognefest (Chairman), Joseph J. Corasanti, Wendy F. DiCicco, Thomas E. Mistler, and Marc Y.E. Pelaez. The Compensation Committee met four (4) times in fiscal 2010.

For a description of the Compensation Committee's processes and procedures in connection with consideration and determination of executive compensation, see [Compensation Discussion and Analysis](#) and, for director compensation, see [Director Compensation](#).

### **Corporate Governance and Nominating Committee**

The Board has a Corporate Governance and Nominating Committee, comprised of independent and non-employee directors. The Corporate Governance and Nominating Committee, in accordance with its written charter (a current copy of which is available on the Company's website at [www.ii-vi.com](http://www.ii-vi.com)), develops and implements policies and processes regarding corporate governance matters, assesses board membership needs and makes recommendations regarding potential director candidates to the Board of Directors. The Corporate Governance and Nominating Committee has the authority to hire independent advisors to help fulfill its duties. For additional information regarding the skills and qualifications our Corporate Governance and Nominating Committee considers with respect to potential director nominees, see [Nomination of Candidates for Director](#). The current members of the Corporate Governance and Nominating Committee are Thomas E. Mistler (Chairman), Wendy F. DiCicco, Joseph J. Corasanti, Carl J. Johnson (effective July 27, 2010), Marc Y.E. Pelaez and Peter W. Sognefest. The Corporate Governance and Nominating Committee met two (2) times in fiscal 2010.

**Subsidiary Committee**

The Board has a Subsidiary Committee, comprised of independent and non-employee directors. The Subsidiary Committee, in accordance with its written charter (a current copy of which is available on the Company's website at [www.ii-vi.com](http://www.ii-vi.com)), oversees the activities of the Company's operating subsidiaries as directed from time to time by the Board of Directors. Periodically, certain members of the Subsidiary Committee are requested to attend quarterly meetings of the Company's operating subsidiaries and report back to the Board on material developments. The Subsidiary Committee has the authority to hire independent advisors to help fulfill its duties. The current members of the Subsidiary Committee are Marc Y.E. Pelaez (Chairman), Carl J. Johnson (effective July 27, 2010), Thomas E. Mistler and Peter W. Sognefest. The Subsidiary Committee met four (4) times in fiscal 2010.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

In the paragraphs that follow, the Company (or we) will provide an overview and analysis of the Company's (or our) executive compensation program, the material compensation decisions we have made under this program and related policies, and the material factors that we considered in making those decisions. Following the Compensation Discussion and Analysis you will find a series of tables containing specific information about the compensation earned or paid in fiscal years 2010, 2009 and 2008 to the following individuals whom we refer to as our named executive officers (NEOs):

our President and Chief Executive Officer, Mr. Francis J. Kramer,

our Chief Financial Officer and Treasurer, Mr. Craig A. Creaturo,

our Executive Vice President, Dr. Vincent D. Mattera, Jr.

our Vice President - Military & Materials Businesses, Mr. James Martinelli, and

our Executive Vice President - Infrared Optics, Mr. Herman E. Reedy.

Mr. Reedy was added to the Compensation Discussion and Analysis in the current year replacing Dr. Carl J. Johnson, Chairman, as one of the three highest paid executive officers other than the Chief Executive Officer and the Chief Financial Officer. Dr. Johnson retired as an executive officer of the Company effective May 31, 2010. Dr. Johnson will continue in his role as Chairman of the Board of Directors.

The discussion below is intended to help you understand the detailed information provided in the tables which follow and to put that information into the context of our overall executive compensation program.

#### Compensation Philosophy and Objectives

The Company's executive compensation program is designed to align our executives' compensation with the Company's strategic objectives, while providing competitive compensation that enables us to attract, motivate and retain top quality executive talent. The Company's executive compensation philosophy is based on a fundamental philosophy of pay-for-performance which is at-risk, meaning it is not guaranteed, but rather is largely earned through cash bonuses or equity-based compensation based on Company performance. The Compensation Committee of the Board of Directors believes that performance should be measured primarily by the Company's growth, in terms of financial metrics including revenues, operating profits, earnings per share and cash flow from operations. The Compensation Committee has designed our executive compensation program to focus on achieving these performance criteria.

The primary objectives of our executive compensation program are to:

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Provide compensation in a manner that allows for shared risks and the opportunity for shared rewards.

Link the interest of the NEOs to the interest of shareholders and other potential investors.

Provide incentives for working toward maximizing long-term shareholder value through growth-driven financial compensation.

Provide incentive for innovation, quality management, responsiveness to customer needs, environmental, health and safety performance and an action-oriented approach to opportunities in the marketplace.

Attract and retain individuals with the leadership and technical skills to carry the Company into the future, and to grow the business.

The Company believes that its executive compensation philosophy is best achieved by targeting base salaries at or near the market median of our Comparator Group. The Company targets total annual cash

compensation to approximate the market's upper-third percentile and targets long-term equity incentive awards at the third quartile, resulting in total direct compensation in the third quartile of our Comparator Group when the Company's operating performance is in the upper quartile against our Comparator Group's (described below) performance. In comparison, for fiscal year 2010, the Company targeted base salaries at or below the median of the market for similar positions at our Comparator Group and the Company targeted total cash compensation above the median. For long-term equity incentives, the Compensation Committee targeted the awards above the market median of our Comparator Group.

### **Principal Components of Executive Compensation**

The principal components of our executive compensation program are:

Base salary;

Annual cash incentive awards; and

Long-term, equity-based incentives.

### **Mix of Compensation Components**

Executive compensation is based on our pay-for-performance philosophy, which emphasizes executive performance measures that correlate closely with the achievement of both shorter-term performance objectives and longer-term shareholder value. To this end, a substantial portion of our NEOs' annual and long-term compensation is at-risk. This provides more upside potential and downside risk because these executive positions strongly influence the performance of the Company as a whole.

### **Compensation Committee Matters and Scope of Authority**

The Compensation Committee acts on behalf of the Board of Directors of the Company and, by extension, the shareholders to establish the compensation of executive officers of the Company and provides oversight of the Company's global compensation philosophy. The Compensation Committee also acts as the oversight committee with respect to the 2009 Omnibus Plan, the II-VI Incorporated Deferred Compensation Plan and the bonus plans discussed below covering NEOs and other employees. In overseeing those plans, the Compensation Committee may delegate, when appropriate, authority for day-to-day administration and interpretation, including selection of participants, determination of award levels within plan parameters, and approval of award documents, to officers and employees of the Company. In general, certain duties such as participant selection and award determination have been delegated to the Chief Executive Officer and Corporate Director of Human Resources and matters regarding award documents have been delegated to the Chief Financial Officer. However, the Compensation Committee may not delegate any authority under those plans for matters affecting the compensation and benefits of the NEOs.

### **The Committee's Processes**



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The Compensation Committee has established a number of processes to assist it in ensuring that the Company's executive compensation program is achieving its objectives. Among those are:

*Meetings.* The Compensation Committee meets as needed each year. Compensation Committee agendas are established in advance in consultation with the Committee Chair.

*Assessment of Company Performance.* The Compensation Committee uses performance measures in establishing total compensation ranges. The Compensation Committee considers various measures of Company and industry performance, including revenues, operating profits, earnings per share, cash flow from operations, and growth from acquisitions. The Board of Directors believes profitable growth is the primary objective of the Company and the NEOs should be measured on and rewarded for the financial growth of the Company.