

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended

DECEMBER 31, 2008

or

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

For the transition period from _____ to _____

Commission File Number 000-30205

CABOT MICROELECTRONICS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

36-4324765
(I.R.S. Employer Identification No.)

870 NORTH COMMONS DRIVE
AURORA, ILLINOIS
(Address of principal executive offices)

60504
(Zip Code)

Registrant's telephone number, including area code: **(630) 375-6631**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES _____ X _____ NO _____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer _____ X _____ Accelerated filer _____ Non-accelerated filer _____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES _____ NO _____ X _____

As of January 30, 2009, the Company had 23,397,407 shares of Common Stock, par value \$0.001 per share, outstanding.

CABOT MICROELECTRONICS CORPORATION

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PART I. FINANCIAL INFORMATION
ITEM 1.

CABOT MICROELECTRONICS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited and in thousands, except per share amounts)

	Three Months Ended	
	December 31,	
	2008	2007
Revenue	\$ 63,017	\$ 93,378
Cost of goods sold	<u>34,311</u>	<u>48,605</u>
Gross profit	28,706	44,773
Operating expenses:		
Research, development and technical	12,114	11,421
Selling and marketing	5,973	6,284
General and administrative	11,326	10,839
Total operating expenses	<u>29,413</u>	<u>28,544</u>
Operating income (loss)	(707)	16,229
Other income, net	<u>876</u>	<u>1,635</u>
Income before income taxes	169	17,864
Provision for income taxes	<u>53</u>	<u>5,665</u>
Net income	<u>\$ 116</u>	<u>\$ 12,199</u>
Basic earnings per share	<u>\$ 0.01</u>	<u>\$ 0.51</u>
Weighted average basic shares outstanding	<u>23,020</u>	<u>23,716</u>
Diluted earnings per share	<u>\$ 0.01</u>	<u>\$ 0.51</u>
Weighted average diluted shares outstanding	<u>23,026</u>	<u>23,768</u>

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

CABOT MICROELECTRONICS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited and in thousands, except share amounts)

	<u>December 31,</u> <u>2008</u>	<u>September 30,</u> <u>2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 218,148	\$ 221,467
Short-term investments	4,950	4,950
Accounts receivable, less allowance for doubtful accounts of \$337 at December 31, 2008, and \$403 at September 30, 2008	33,488	41,630
Inventories	57,700	47,466
Prepaid expenses and other current assets	10,270	10,714
Deferred income taxes	4,319	4,365
Total current assets	328,875	330,592
Property, plant and equipment, net	119,861	115,843
Goodwill	7,069	7,069
Other intangible assets, net	8,034	8,712
Deferred income taxes	9,957	11,178
Other long-term assets	4,083	4,043
Total assets	<u>\$ 477,879</u>	<u>\$ 477,437</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,857	\$ 13,885
Capital lease obligations	1,148	1,129
Accrued expenses, income taxes payable and other current liabilities	15,283	22,787
Total current liabilities	28,288	37,801
Capital lease obligations	2,223	2,518
Other long-term liabilities	3,498	2,885
Total liabilities	34,009	43,204
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock:		
Authorized: 200,000,000 shares, \$0.001 par value		
Issued: 26,054,004 shares at December 31, 2008, and 25,906,990 shares at September 30, 2008	26	26
Capital in excess of par value of common stock	202,426	198,022
Retained earnings	323,238	323,122
Accumulated other comprehensive income	8,505	3,054
Treasury stock at cost, 2,698,160 shares at December 31, 2008, and 2,683,809 shares at September 30, 2008	(90,325)	(89,991)
Total stockholders' equity	443,870	434,233
Total liabilities and stockholders' equity	<u>\$ 477,879</u>	<u>\$ 477,437</u>

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

CABOT MICROELECTRONICS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and amounts in thousands)

	Three Months Ended	
	December 31,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 116	\$ 12,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,166	6,359
Share-based compensation expense	4,234	3,494
Deferred income tax expense (benefit)	1,468	(1,733)
Non-cash foreign exchange gain	(4,847)	(1,290)
(Gain)/loss on disposal of property, plant and equipment	81	(12)
Impairment of property, plant and equipment	81	-
Other	(2,245)	730
Changes in operating assets and liabilities:		
Accounts receivable	10,547	2,737
Inventories	(7,920)	(3,609)
Prepaid expenses and other assets	1,150	(492)
Accounts payable	(2,956)	(2,602)
Accrued expenses, income taxes payable and other liabilities	(8,488)	237
Net cash provided by (used in) operating activities	<u>(2,613)</u>	<u>16,018</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(2,341)	(5,599)
Purchases of short-term investments	-	(139,875)
Proceeds from the sale of short-term investments	-	142,980
Net cash used in investing activities	<u>(2,341)</u>	<u>(2,494)</u>
Cash flows from financing activities:		
Repurchases of common stock	(334)	(14,004)
Net proceeds from issuance of stock	169	418
Principal payments under capital lease obligations	(276)	(261)
Net cash used in financing activities	<u>(441)</u>	<u>(13,847)</u>
Effect of exchange rate changes on cash	2,076	383
Increase (decrease) in cash	(3,319)	60
Cash and cash equivalents at beginning of period	221,467	54,557
Cash and cash equivalents at end of period	<u>\$ 218,148</u>	<u>\$ 54,617</u>
Supplemental disclosure of non-cash investing and financing activities:		
Purchases of property, plant and equipment in accrued liabilities and accounts payable at the end of the period	\$ 574	\$ 2,699
Issuance of restricted stock	3,727	4,281

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

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited and in thousands, except share and per share amounts)

1. BACKGROUND AND BASIS OF PRESENTATION

Cabot Microelectronics Corporation ("Cabot Microelectronics", "the Company", "us", "we" or "our") supplies high-performance polishing slurries and pads used in the manufacture of advanced integrated circuit (IC) devices within the semiconductor industry, in a process called chemical mechanical planarization (CMP). CMP polishes surfaces at an atomic level, thereby enabling IC device manufacturers to produce smaller, faster and more complex IC devices with fewer defects. We believe we are the world's leading supplier of slurries for IC devices. We also develop, manufacture and sell CMP slurries for polishing certain components in hard disk drives, specifically rigid disk substrates and magnetic heads, and we believe we are one of the leading suppliers in this area. In addition, we develop, produce and sell CMP polishing pads, which are used in conjunction with slurries in the CMP process. We also pursue a variety of other demanding surface modification applications outside of the semiconductor and hard disk drive industries for which our capabilities and knowledge may provide value in improved surface performance or productivity. For additional information, refer to Part 1, Item 1, "Business", in our annual report on Form 10-K for the fiscal year ended September 30, 2008.

The unaudited consolidated financial statements have been prepared by Cabot Microelectronics Corporation pursuant to the rules of the Securities and Exchange Commission (SEC) and accounting principles generally accepted in the United States of America. In the opinion of management, these unaudited consolidated financial statements include all normal recurring adjustments necessary for the fair presentation of Cabot Microelectronics' financial position as of December 31, 2008, cash flows for the three months ended December 31, 2008, and December 31, 2007, and results of operations for the three months ended December 31, 2008, and December 31, 2007. The results of operations for the three months ended December 31, 2008, may not be indicative of the results to be expected for future periods, including the fiscal year ending September 30, 2009. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in Cabot Microelectronics' annual report on Form 10-K for the fiscal year ended September 30, 2008. We currently operate predominantly in one industry segment - the development, manufacture and sale of CMP consumables.

The consolidated financial statements include the accounts of Cabot Microelectronics and its subsidiaries. All intercompany transactions and balances between the companies have been eliminated as of December 31, 2008.

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

On October 1, 2008, we adopted the provisions of Statement of Financial Accounting Standards No. 157, "Fair Value Measurement" (SFAS 157) for all financial assets and financial liabilities. SFAS 157 establishes a common definition for fair value in generally accepted accounting principles, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. On October 1, 2008, we also adopted FASB Staff Position 157-3, "Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active" (FSP 157-3), which clarifies the application of SFAS 157 in an inactive market and illustrates how an entity would determine fair value when the market for a financial asset is not active. In accordance with FASB Staff Position 157-2, "Effective Date of FASB Statement No. 157" (FSP 157-2), we have not yet adopted the provisions of SFAS 157 that relate to non-financial assets and non-financial liabilities.

On October 1, 2008, we adopted the provisions of SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115" (SFAS 159). SFAS 159 allows measurement at fair value of eligible financial assets and financial liabilities that are not otherwise measured at fair value on an instrument-by-instrument basis (the "fair value option"). We did not elect the fair value option for any financial assets or financial liabilities that were not previously required to be measured at fair value.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited and in thousands, except share and per share amounts)

SFAS 157 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) in the principle or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 establishes a three-level hierarchy for disclosure based on the extent and level of judgment used to estimate fair value. Level 1 inputs consist of valuations based on quoted market prices in active markets for identical assets or liabilities. Level 2 inputs consist of valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in an inactive market, or other observable inputs. Level 3 inputs consist of valuations based on unobservable inputs that are supported by little or no market activity.

The following table presents financial assets that we measured at fair value on a recurring basis at December 31, 2008. As permitted under the relevant pronouncements, we have chosen to not measure any of our financial liabilities at fair value in accordance with SFAS 157 and SFAS 159 as we believe our financial liabilities approximate their fair value due to their short-term, highly liquid characteristics. We have classified these assets in accordance with the fair value hierarchy set forth in SFAS 157. In instances where the inputs used to measure the fair value of an asset fall into more than one level of the hierarchy, we have classified them based on the lowest level input that is significant to the determination of the fair value.

	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	\$ 218,148	\$ -	\$ -	\$ 218,148
Auction rate securities (ARS)	-	-	8,166	8,166
Total	<u>\$ 218,148</u>	<u>\$ -</u>	<u>\$ 8,166</u>	<u>\$ 226,314</u>

Our cash and cash equivalents consist of various bank accounts used to support our operations and investments in institutional money-market funds which are traded in active markets.

Our ARS investments at December 31, 2008 consisted of two tax exempt municipal debt obligations. We experienced our first failed auction in February 2008, and since that time the auctions of two of our ARS have continued to fail. Despite the failed auctions, there have been no defaults of the underlying securities and interest income on these holdings continues to be received on scheduled interest payment dates. Our ARS, when purchased, were generally issued by A-rated municipalities. However, the credit rating of one security (with a par value of \$3,450) was downgraded during our second quarter of fiscal 2008. Both of our ARS (including the downgraded security) were insured at the time of purchase to obtain a credit rating of AAA.

Since an active market for ARS does not currently exist, we determine the fair value of these investments using a Level 3 discounted cash flow analysis and also consider other factors such as the reduced liquidity in the ARS market and nature of the insurance backing. Key inputs to our discounted cash flow model included projected cash flows from interest and principle payments and the weighted probabilities of future successful auctions or debt refinancing. We also incorporate certain Level 2 market indices into the discounted cash flow analysis, including published rates such as the LIBOR rate and a municipal swap index published by the Securities Industry and Financial Markets Association.

Based on our fair value assessment, we determined that one ARS continues to be temporarily impaired as of December 31, 2008. This security has a fair value of \$3,216 (par value \$3,450) and has been classified as a long-term asset in Other Long-Term Assets on the Consolidated Balance Sheet. See Note 5 for more information on this investment. We believe that this ARS is not permanently impaired because in the event of default by the municipality, the insurance provider would pay interest and principle following the original repayment schedule and we have the intent and ability to hold this investment until the value recovers, which may be at maturity. We determined that the fair value of the other ARS was not impaired as of December 31, 2008.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited and in thousands, except share and per share amounts)

3. INVENTORIES

Inventories consisted of the following:

	<u>December 31,</u> <u>2008</u>	<u>September 30,</u> <u>2008</u>
Raw materials	\$ 30,543	\$ 21,378
Work in process	4,502	4,628
Finished goods	22,655	21,460
Total	<u>\$ 57,700</u>	<u>\$ 47,466</u>

The increase in inventories during the three months ended December 31, 2008 is primarily due to raw materials that have been purchased under our supply agreements which have minimum volume purchase requirements based on a six-month forecast. The decrease in demand for our products and our corresponding reduction in production occurred faster than we were able to reduce the forecast of raw materials, causing an increase in raw material inventory levels.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited and in thousands, except share and per share amounts)

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill was \$7,069 as of December 31, 2008, and September 30, 2008.

The components of other intangible assets are as follows:

	<u>December 31, 2008</u>		<u>September 30, 2008</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
<u>Other intangible assets subject to amortization:</u>				
Product technology	\$ 5,380	\$ 1,345	\$ 5,380	\$ 1,210
Acquired patents and licenses	8,000	5,255	8,000	4,716
Trade secrets and know-how	2,550	2,550	2,550	2,550
Distribution rights, customer lists and other	1,457	1,393	1,457	1,389
Total other intangible assets subject to amortization	<u>17,387</u>	<u>10,543</u>	<u>17,387</u>	<u>9,865</u>
Total other intangible assets not subject to amortization*	<u>1,190</u>		<u>1,190</u>	
Total other intangible assets	<u>\$ 18,577</u>	<u>\$ 10,543</u>	<u>\$ 18,577</u>	<u>\$ 9,865</u>

* Total other intangible assets not subject to amortization primarily consist of trade names.

Amortization expense was \$678 and \$720 for the three months ended December 31, 2008 and 2007, respectively. Estimated future amortization expense for the five succeeding fiscal years is as follows:

<u>Fiscal Year</u>	<u>Estimated amortization expense</u>
Remainder of 2009	\$986
2010	854
2011	847
2012	847
2013	847

In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142), goodwill and indefinite lived intangible assets are tested for impairment annually in the fourth fiscal quarter or more frequently if indicators of potential impairment exist, using a fair-value-based approach. The recoverability of goodwill and indefinite lived intangible assets is measured at the reporting unit level, which is defined as either an operating segment or one level below an operating segment. We have consistently determined the fair value of our reporting units using a discounted cash flow analysis of our projected future results. The use of discounted projected future results is based on assumptions that are consistent with our estimates of future growth and the strategic plan used to manage the underlying business. Factors requiring significant judgment include assumptions related to future growth rates, discount factors and tax rates, among others. Changes in economic and operating conditions that occur after the annual impairment analysis or an interim impairment analysis that impact these assumptions may result in future impairment charges.

We completed our annual impairment test during our fourth quarter of fiscal 2008 and determined that no impairment existed as of that time period. Based upon the continued deterioration of the global economy and acceleration of a softening of demand for our products driven by the global economic downturn, we concluded that sufficient indicators existed to have us perform an interim impairment analysis at December 31, 2008. Our impairment analysis at December 31, 2008 included revised estimates of future revenue and income projections given the current economic environment and revised discount rates given the current instability in the credit markets. Our impairment analysis also included a sensitivity analysis using a hypothetical 10% decrease in expected future cash flows and a hypothetical 10% increase in the discount rate. We determined our goodwill and indefinite lived intangible assets were not impaired under any of these circumstances.

Intangible assets with finite lives are reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". As a result of the impairment indicators described above, we tested our intangible assets with finite lives for impairment during our fiscal quarter ended December 31, 2008 and determined there was no impairment.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited and in thousands, except share and per share amounts)

5. OTHER LONG-TERM ASSETS

Other long-term assets consisted of the following:

	<u>December 31,</u> <u>2008</u>	<u>September 30,</u> <u>2008</u>
Long-term investments	\$ 3,216	\$ 3,216
Other long-term assets	867	827
Total	<u>\$ 4,083</u>	<u>\$ 4,043</u>

As discussed in Note 2 of this Form 10-Q, one of the two ARS that we owned as of December 31, 2008 is classified as a long-term asset. The security is credit enhanced with bond insurance to a AAA rating and all interest payments continue to be received on a timely basis. Although we believe this security will ultimately be collected in full, we believe that it is not likely that we will be able to monetize the security in our next business cycle (which for us is generally one year). We maintained a \$234 pretax reduction (\$151 net of tax) in fair value on this security, which is consistent with the fair value reduction as of September 30, 2008. We continue to believe this decline in fair value is temporary based on our current cash position, our expected future cash flow, our unused debt capacity, the nature of the underlying debt, the presence of AAA-rated insurance, our expectation that the issuer may refinance its debt, the fact that all interest payments have been received, and our intention and ability to hold the security until the value recovers, which may be at maturity.

6. ACCRUED EXPENSES, INCOME TAXES PAYABLE AND OTHER CURRENT LIABILITIES

Accrued expenses, income taxes payable and other current liabilities consisted of the following:

	<u>December 31,</u> <u>2008</u>	<u>September 30,</u> <u>2008</u>
Accrued compensation	\$ 7,655	\$ 16,206
Goods and services received, not yet invoiced	1,532	2,060
Warranty accrual	265	863
Taxes, other than income taxes	1,188	998
Other	4,643	2,660
Total	<u>\$ 15,283</u>	<u>\$ 22,787</u>

The decrease in accrued compensation resulted primarily from the payment of our annual bonus related to fiscal year ended September 30, 2008.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited and in thousands, except share and per share amounts)

7. CONTINGENCIES

While we are not involved in any legal proceedings that we believe will have a material impact on our consolidated financial position, results of operations or cash flows, we periodically become a party to legal proceedings in the ordinary course of business. For example, in January 2007, we filed a legal action against DuPont Air Products NanoMaterials LLC (DA Nano), a CMP slurry competitor, in the United States District Court for the District of Arizona, charging that DA Nano's manufacturing and marketing of CMP slurries infringe five CMP slurry patents that we own. The affected DA Nano products include certain products used for tungsten CMP. We filed our infringement complaint as a counterclaim in response to an action filed by DA Nano in the same court in December 2006 that seeks declaratory relief and alleges non-infringement, invalidity and unenforceability regarding some of the patents at issue in our complaint against DA Nano. DA Nano filed its complaint following our refusal of its request that we license to it our patents raised in its complaint. DA Nano's complaint does not allege any infringement by our products of intellectual property owned by DA Nano. On July 25, 2008, the District Court issued its patent claim construction, or "Markman" Order ("Markman Order") in the litigation. In a Markman ruling, a district court hearing a patent infringement case interprets and rules on the scope and meaning of disputed patent claim language regarding the patents in suit. We believe that a Markman decision is often a significant factor in the progress and outcome of patent infringement litigation. In the Markman Order, the District Court adopted interpretations that we believe are favorable to Cabot Microelectronics on all claim terms that were in dispute in the litigation. On January 27, 2009, we filed a motion for summary judgment on DA Nano's infringement of certain of the patents at issue in the suit, because we believe the evidence demonstrates that there is no dispute of material fact as to DA Nano's infringement of all of these patents with DA Nano's accused products used for tungsten CMP. On the same date, DA Nano filed a motion for summary judgment on non-infringement and invalidity of certain of the patents at issue in the suit. Although no trial date has been set, prior to the parties' filing of their respective motions, we had expected trial in this matter to occur sometime during calendar 2009. However, the existence of the respective motions for summary judgment may cause a later trial schedule. While the outcome of this and any legal matter cannot be predicted with certainty, we believe that our claims and defenses in the pending action are meritorious, and we intend to pursue and defend them vigorously.

Refer to Note 16 of "Notes to the Consolidated Financial Statements" in Item 8 of Part II of our annual report on Form 10-K for the fiscal year ended September 30, 2008, for additional information regarding commitments and contingencies.

PRODUCT WARRANTIES

We maintain a warranty reserve that reflects management's best estimate of the cost to replace product that does not meet customers' specifications and performance requirements, and costs related to such replacement. The warranty reserve is based upon a historical product replacement rate, adjusted for any specific known conditions or circumstances. Additions and deductions to the warranty reserve are recorded in cost of goods sold. Our warranty reserve requirements changed during our first quarter of fiscal 2009 as follows:

Balance as of September 30, 2008	\$	863
Reserve for product warranty during the reporting period		227
Adjustments to pre-existing warranty reserve		(461)
Settlement of warranty		(364)
Balance as of December 31, 2008	\$	<u>265</u>

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited and in thousands, except share and per share amounts)

8. SHARE-BASED COMPENSATION PLANS

We record share-based compensation expense under the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R) using the straight-line approach. We currently issue share-based payments under the following programs: our Second Amended and Restated Cabot Microelectronics Corporation 2000 Equity Incentive Plan, as amended and restated September 26, 2006 ("2000 Equity Incentive Plan"); our Cabot Microelectronics Corporation Employee Stock Purchase Plan, which was amended to become the Cabot Microelectronics Corporation 2007 Employee Stock Purchase Plan and approved by our shareholders on March 4, 2008; and, pursuant to our 2000 Equity Incentive Plan, our Directors' Deferred Compensation Plan, as amended September 26, 2006 and our 2001 Executive Officer Deposit Share Program. For additional information regarding these programs, refer to Note 11 of "Notes to the Consolidated Financial Statements" included in Item 8 of Part II of our annual report on Form 10-K for the fiscal year ended September 30, 2008.

We record share-based compensation expense for all of our share-based awards including stock options, restricted stock, restricted stock units and employee stock purchases. We use the Black-Scholes model to estimate the grant date fair value of our stock options and employee stock purchases. This model requires the input of highly subjective assumptions, including the price volatility of the underlying stock and the expected term of our stock options. We estimate the expected volatility of our stock based on a combination of our stock's historical volatility and the implied volatilities from actively-traded options on our stock. We calculate the expected term of our stock options using the simplified method as discussed in Topic 14 of the Staff Accounting Bulletin Series, "Share-Based Payment", due to our limited amount of historical option exercise data, and we add a slight premium to this expected term for employees who meet the definition of retirement pursuant to their grants during the contractual term. The fair value of our restricted stock and restricted stock unit awards represents the closing price of our common stock on the date of grant. Share-based compensation expense related to stock option grants, restricted stock and restricted stock unit awards is recorded net of expected forfeitures. Our estimated forfeiture rate is primarily based on historical experience, but may be revised in future periods if actual forfeitures differ from the estimate.

Share-based compensation expense under SFAS 123R for the three months ended December 31, 2008, and 2007, was as follows:

	Three Months Ended	
	December 31,	
	2008	2007
Cost of goods sold	\$ 346	\$ 249
Research, development and technical	388	301
Selling and marketing	419	352
General and administrative	3,081	2,592
Total share-based compensation expense	4,234	3,494
Tax benefit	1,513	1,244
Total share-based compensation expense, net of tax	<u>\$ 2,721</u>	<u>\$ 2,250</u>

For additional information regarding the estimation of fair value, refer to Note 11 of "Notes to the Consolidated Financial Statements" included in Item 8 of Part II of our annual report on Form 10-K for the fiscal year ended September 30, 2008.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited and in thousands, except share and per share amounts)

9. OTHER INCOME, NET

Other income, net, consisted of the following:

	Three Months Ended	
	December 31,	
	2008	2007
Interest income	\$ 734	\$ 1,942
Interest expense	(101)	(105)
Other income (expense)	243	(202)
Total other income, net	<u>\$ 876</u>	<u>\$ 1,635</u>

The decrease in interest income during the three months ended December 31, 2008 was primarily due to lower interest rates earned on our cash and short-term investments compared to the same quarter in fiscal 2008.

10. COMPREHENSIVE INCOME

The components of comprehensive income were as follows:

	Three Months Ended	
	December 31,	
	2008	2007
Net income	\$ 116	\$ 12,199
Other comprehensive income:		
Net unrealized gain on derivative instruments	9	9
Foreign currency translation adjustment	5,441	1,338
Minimum pension liability adjustment	1	4
Total comprehensive income	<u>\$ 5,567</u>	<u>\$ 13,550</u>

The \$5,441 foreign currency translation adjustment, net of taxes of \$2,558, resulted primarily from the general weakening of the U.S. dollar relative to the Japanese Yen.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited and in thousands, except share and per share amounts)

11. INCOME TAXES

Our effective income tax rate of 31.4% for the three months ended December 31, 2008 was slightly less than the 31.7% for the three months ended December 31, 2007. The decrease in the effective tax rate was primarily due to the reinstatement of the research and experimentation tax credit, partially offset by a decrease in tax-exempt interest income.

There were no material changes to our liability for uncertain tax positions, as defined by Financial Interpretation No. 48, or for tax periods open to examination during the three months ended December 31, 2008.

12. EARNINGS PER SHARE

SFAS No. 128, "Earnings per Share", requires companies to provide a reconciliation of the numerator and denominator of the basic and diluted earnings per share computations. Basic and diluted earnings per share were calculated as follows:

	Three Months Ended December 31,	
	2008	2007
Numerator:		
Earnings available to common shares	\$ 116	\$ 12,199
Denominator:		
Weighted average common shares (Denominator for basic calculation)	23,019,620	23,716,490
Weighted average effect of dilutive securities:		
Share-based compensation	6,469	51,586
Diluted weighted average common shares (Denominator for diluted calculation)	23,026,089	23,768,076
Earnings per share:		
Basic	\$ 0.01	\$ 0.51
Diluted	\$ 0.01	\$ 0.51

For the three months ended December 31, 2008 and 2007, approximately 4.1 million and 2.0 million shares, respectively, attributable to outstanding stock options were excluded from the calculation of diluted earnings per share because the exercise price of the options was greater than the average market price of our common stock and, therefore, their inclusion would have been anti-dilutive.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited and in thousands, except share and per share amounts)

13. NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS 141R), which replaces SFAS No. 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires acquisition-related costs to be charged to expense as incurred. SFAS 141R is effective for us October 1, 2009 and will apply prospectively to business combinations completed on or after that date.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an Amendment of ARB 51" (SFAS 160), which changes the accounting and reporting for minority equity interests in subsidiaries. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change of control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the statement of operations and, upon loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is effective for us beginning October 1, 2009 and will apply prospectively, except for the presentation and disclosure requirements, which will apply retrospectively. We are currently assessing the potential impact that the adoption of this pronouncement would have on our results of operations, financial position or cash flows. Currently, there are no minority interests in any of our subsidiaries.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" (SFAS 161), which requires enhanced disclosures about an entity's derivatives and hedging activities. Entities will be required to provide enhanced disclosures about (a) how and why derivative instruments are used, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS 161 is effective for us beginning January 1, 2009. We are currently assessing the potential impact that the adoption of this pronouncement will have on our financial disclosures.

In March 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" (SFAS 162), which identifies a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities (the "Hierarchy"). The Hierarchy within SFAS 162 is consistent with that previously defined in the AICPA Statement on Auditing Standards No. 69, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles". SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to U. S. Auditing Standards Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles". We do not believe the adoption of this pronouncement will have a material impact on our results of operations, financial position or cash flows.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations", as well as disclosures included elsewhere in this Form 10-Q, include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a safe harbor for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward-looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements other than statements of historical fact we make in this Form 10-Q are forward-looking. In particular, the statements herein regarding future sales and operating results; Company and industry growth, contraction or trends; growth or contraction of the markets in which the Company participates; international events or various economic factors; product performance; the generation, protection and acquisition of intellectual property, and litigation related to such intellectual property; new product introductions; development of new products, technologies and markets; the acquisition of or investment in other entities; uses and investment of the Company's cash balance; the construction of facilities by the Company; and statements preceded by, followed by or that include the words "intends", "estimates", "plans", "believes", "expects", "anticipates", "should", "could" or similar expressions, are forward-looking statements. Forward-looking statements reflect our current expectations and are inherently uncertain. Our actual results may differ significantly from our expectations. We assume no obligation to update this forward-looking information. The section entitled "Risk Factors" describes some, but not all, of the factors that could cause these differences.

This section, "Management's Discussion and Analysis of Financial Condition and Results of Operations", should be read in conjunction with Cabot Microelectronics' annual report on Form 10-K for the fiscal year ended September 30, 2008, including the consolidated financial statements and related notes thereto.

FIRST QUARTER OF FISCAL 2009 OVERVIEW

The global economy is in recession and we first began to see significant adverse effects of this in our fourth quarter of fiscal 2008 as the reduction in end user demand for IC devices caused semiconductor manufacturers to reduce their production, which reduced the demand for our CMP consumable products. We believe our financial results for the first quarter of fiscal 2009 reflect the continuation and acceleration of a softening of demand for our products driven by the global economic downturn. We believe the decline in our revenue generally was consistent with the decrease in overall semiconductor industry demand. Since the primary driver of revenue for our CMP consumable products is wafer starts, the decreased production by our customers has adversely affected us, and we believe will continue to adversely affect us for the foreseeable future. There are many factors that make it difficult for us to predict future revenue trends for our business, including: the duration of the global economic downturn; the cyclical nature of the semiconductor industry; potential future acquisitions by us; the short order to delivery time for our products and the associated lack of visibility to future customer orders; and quarter to quarter changes in customer orders regardless of industry strength.

To address the impact of the economic downturn on our business, we have taken actions intended to improve and optimize our operating effectiveness and reduce our costs. For example, we have shortened work schedules in our global CMP consumables operations to more closely match production of our products with demand from our customers. With this approach, we retain the flexibility to ramp our production up or down to meet customer demand while managing our production costs. In addition, we have instituted certain other cost reduction initiatives. Since we believe the skills and expertise of our employees are key to our Company's success, our initial cost management actions have been directed at minimizing expenses without incurring an extensive workforce reduction, but we are prepared to take more severe actions in the future if appropriate.

Revenue for our first quarter of fiscal 2009 was \$63.0 million, which represented a decrease of 32.5%, or \$30.4 million, from the first quarter of fiscal 2008 and a decrease of 30.1%, or \$27.1 million, from the previous fiscal quarter. The largest reduction in demand came from the foundry segment of the semiconductor industry, which represents a significant portion of our business. We experienced substantial declines in demand from memory and logic device customers as well. We believe the significant decrease in revenue is primarily due to the worldwide economic slowdown and is generally consistent with the overall decrease in demand in the semiconductor industry. Based on continued economic uncertainty, planned plant shutdowns by some of our customers, and normal seasonal softness, we believe that it is likely that our revenue will decline further during our second quarter of fiscal 2009.

Gross profit expressed as a percentage of revenue for our first quarter of fiscal 2009 was 45.6%. Gross profit decreased from both the 47.9% reported in the first quarter of fiscal 2008 and the 46.6% reported in the previous fiscal quarter primarily due to lower utilization of our manufacturing capacity on the significantly lower level of sales, partially offset by higher manufacturing yields for both CMP slurries and pads. Our gross profit percentage guidance remains in the range of 46% to 48% for the full fiscal year 2009. We may experience quarterly gross profit above or below our annual guidance range, as we experienced in our first quarter of fiscal 2009, due to a number of factors, including the extent to which we utilize our manufacturing capacity and fluctuations in our product mix.

Operating expenses were \$29.4 million in our first quarter of fiscal 2009, compared to \$28.5 million in the first quarter of fiscal 2008 and \$31.7 million in the previous fiscal quarter. The increase in operating expenses from the same quarter in the prior year was mainly due to increased costs for clean room materials and higher professional fees, partially offset by lower staffing related costs. The decrease from the previous fiscal quarter was primarily driven by lower staffing related costs. Reflecting our cost reduction efforts, we currently expect operating expenses will be in the range of \$110 million to \$115 million for full year fiscal 2009, excluding the effects of our pending acquisition of Epoch Material Co., Ltd. (Epoch), which is lower than our prior guidance of \$120 million to \$125 million.

Diluted earnings per share for our first fiscal quarter was \$0.01, a decrease from the \$0.51 per share reported in the first quarter of fiscal 2008 and from the \$0.36 per share reported in the previous fiscal quarter as a result of the factors discussed above. Although we have instituted cost reduction initiatives, the continued economic uncertainty and potential further decline in our revenue could cause us to operate in a net loss position during our second quarter of fiscal 2009.

In support of our strategy to strengthen and grow our core CMP consumables business, in December 2008, we announced that we had entered into a definitive agreement to acquire the shares of Epoch, a consolidated subsidiary of Eternal Chemical Co., Ltd. (Eternal). Epoch is a Taiwan-based company specializing in the development, manufacture and sale of copper CMP slurries and CMP cleaning solutions to the semiconductor industry, and color filter slurries to the liquid crystal display (LCD) industry. Epoch has a strong presence in Taiwan, which we believe is the largest geographic region for CMP slurry demand. The total purchase price of the acquisition is \$66 million, subject to certain adjustments, which we intend to pay in cash from our available cash. Under the share purchase agreement, we expect to initially pay \$59.4 million and obtain 90% of Epoch's stock upon closing, with the remaining \$6.6 million to be paid to Eternal eighteen months later. During this interim period, Eternal will hold the remaining 10% interest in Epoch. The completion of the transaction is subject to customary closing conditions and regulatory approvals and we expect the transaction will close in our second quarter of fiscal 2009.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES AND EFFECTS OF RECENT ACCOUNTING PRONOUNCEMENTS

We discuss our critical accounting estimates and effects of recent accounting pronouncements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7 of Part II of our annual report on Form 10-K for the fiscal year ended September 30, 2008. We believe there have been no material changes in our critical accounting estimates during the first fiscal quarter of 2009 except for the following discussion of goodwill and intangible assets. See Note 2 and Note 13 of the Notes to the Consolidated Financial Statements for a discussion of new accounting pronouncements.

In accordance with Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (SFAS 142), goodwill and indefinite lived intangible assets are tested for impairment annually in the fourth fiscal quarter or more frequently if indicators of potential impairment exist, using a fair-value-based approach. The recoverability of goodwill and indefinite lived intangible assets is measured at the reporting unit level, which is defined as either an operating segment or one level below an operating segment. We have consistently determined the fair value of our reporting units using a discounted cash flow analysis of our projected future results. The use of discounted projected future results is based on assumptions that are consistent with our estimates of future growth and the strategic plan used to manage the underlying business. Factors requiring significant judgment include assumptions related to future growth rates, discount factors and tax rates, among others. Changes in economic and operating conditions that occur after the annual impairment analysis or an interim impairment analysis that impact these assumptions may result in future impairment charges.

We completed our annual impairment test during our fourth quarter of fiscal 2008 and determined that no impairment existed as of that time period. Based upon the continued deterioration of the global economy and acceleration of a softening of demand for our products driven by the global economic downturn, we concluded that sufficient indicators existed to have us perform an interim impairment analysis at December 31, 2008. Our impairment analysis at December 31, 2008 included revised estimates of future revenue and income projections given the current economic environment and revised discount rates given the current instability in the credit markets. We determined our goodwill and indefinite lived intangible assets were not impaired as of December 31, 2008.

Intangible assets with finite lives are reviewed for impairment in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. As a result of the impairment indicators described above, we tested our intangible assets with finite lives for impairment during our fiscal quarter ended December 31, 2008 and determined there was no impairment.

RESULTS OF OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2008, VERSUS THREE MONTHS ENDED DECEMBER 31, 2007

REVENUE

Revenue was \$63.0 million for the three months ended December 31, 2008, which represented a 32.5%, or \$30.4 million, decrease from the three months ended December 31, 2007. Of this decrease, \$36.5 million was due to decreased sales volume driven by the significant weakening of demand for our products by our customers due to the global economic downturn which has negatively impacted end user demand for IC devices. This decrease in demand was partially offset by \$5.0 million due to a higher weighted average selling price for our slurry products primarily resulting from a higher-priced product mix and \$1.1 million due to the effect of foreign exchange rate changes. We believe this reduction in demand for our products will continue for some time. Consequently, based on continued economic uncertainty, planned plant shutdowns by some of our customers, and normal seasonal softness, we believe it is likely that our revenue will decline further during the second quarter of fiscal 2009.

COST OF GOODS SOLD

Total cost of goods sold was \$34.3 million for the three months ended December 31, 2008, which represented a decrease of 29.4%, or \$14.3 million, from the three months ended December 31, 2007. Of this decrease, \$19.0 million was due to decreased sales volume due to the global economic downturn and \$1.9 million was due to higher manufacturing yields in our CMP slurry and pad production. These cost decreases were partially offset by a \$3.8 million cost increase due to lower utilization of our manufacturing capacity on the decreased level of sales and \$2.6 million due to a higher-cost product mix.

The significant decrease in demand for our products due to the global economic downturn has caused us to take actions to reduce costs. We have shortened work schedules in our manufacturing operations on a global basis to reduce production costs while maintaining the flexibility to increase or decrease production levels in the future to meet customer demand for our products. We have also reduced annual, merit-based salary increases, restricted travel and taken other steps to reduce or eliminate certain discretionary expenses. These actions are intended to improve our operating effectiveness during the current economic downturn. We are prepared to take additional actions as needed if this soft economic environment continues or worsens.

Fumed metal oxides, such as fumed silica and fumed alumina, are significant raw materials that we use in many of our CMP slurries. In an effort to mitigate our risk to rising raw material costs and to increase supply assurance and quality performance requirements, we have entered into multi-year supply agreements with a number of suppliers. For more financial information about our supply contracts, see “Tabular Disclosure of Contractual Obligations” in this filing as well as in Item 7 of Part II of our annual report on Form 10-K for the fiscal year ended September 30, 2008.

Our need for additional quantities or different kinds of key raw materials in the future has required, and will continue to require, that we enter into new supply arrangements with third parties. Future arrangements may result in costs which are different from those in the existing agreements. In addition, energy costs may also impact the cost of raw materials, packaging, freight and labor costs. We also expect to continue to invest in our operations excellence initiative to improve product quality, reduce variability and improve product yields in our manufacturing process.

GROSS PROFIT

Our gross profit as a percentage of revenue was 45.6% for the three months ended December 31, 2008, as compared to 47.9% for the three months ended December 31, 2007. The decrease was primarily due to lower utilization of our manufacturing capacity on the significantly lower level of sales partially offset by favorable production yields and a favorable product mix. Although current economic conditions make it difficult to predict full year results, we continue to believe that our gross profit as a percentage of revenue will be in the range of 46% to 48% for full fiscal year 2009. Quarterly gross profit may be above or below this range, as it was during the first quarter of fiscal 2009, due to fluctuations in our product mix, the extent to which we utilize our manufacturing capacity or other factors.

RESEARCH, DEVELOPMENT AND TECHNICAL

Total research, development and technical expenses were \$12.1 million for the three months ended December 31, 2008, which represented an increase of 6.1%, or \$0.7 million, from the three months ended December 31, 2007. The increase was primarily related to higher expenses for clean room materials and laboratory supplies.

Our research, development and technical efforts are focused on the following main areas:

- Research related to fundamental CMP technology;
- Development and formulation of new and enhanced CMP consumable products;
- Process development to support rapid and effective commercialization of new products;
- Technical support of CMP products in our customers’ manufacturing facilities; and
- Evaluation of new polishing applications outside of the semiconductor industry.

SELLING AND MARKETING

Selling and marketing expenses were \$6.0 million for the three months ended December 31, 2008, which represented a decrease of 4.9%, or \$0.3 million, from the three months ended December 31, 2007. The decrease was primarily due to \$0.4 million in lower staffing related costs, partially offset by \$0.2 million in higher professional fees.

GENERAL AND ADMINISTRATIVE

General and administrative expenses were \$11.3 million for the three months ended December 31, 2008, which represented an increase of 4.5%, or \$0.5 million, from the three months ended December 31, 2007. The increase resulted primarily from higher professional fees.

OTHER INCOME, NET

Other income was \$0.9 million for the three months ended December 31, 2008, compared to \$1.6 million in the three months ended December 31, 2007. The decrease in other income was primarily due to \$1.2 million lower interest income resulting from lower interest rates on our balances of cash and short-term investments, partially offset by \$0.5 million in foreign exchange gains. We monetized the majority of our short-term investments in auction rate securities (ARS) during fiscal 2008 and reinvested these funds into money market investments which earn interest at lower rates. See Note 2 of the Notes to the Consolidated Financial Statements for more information on our ARS.

PROVISION FOR INCOME TAXES

Our effective income tax rate of 31.4% for the three months ended December 31, 2008 was slightly less than the 31.7% for the three months ended December 31, 2007. The decrease in the effective tax rate was primarily due to the reinstatement of the research and experimentation tax credit, partially offset by a decrease in tax-exempt interest income, both in light of an expected decrease in taxable income due to the economic uncertainty and decrease in demand discussed above.

NET INCOME

Net income was \$0.1 million for the three months ended December 31, 2008, which represented a decrease of 99.0%, or \$12.1 million, from the three months ended December 31, 2007, as a result of the factors discussed above. Although we have instituted cost reduction initiatives, the continued economic uncertainty and potential further decline in our revenue could cause us to operate in a net loss position during our second quarter of fiscal 2009.

LIQUIDITY AND CAPITAL RESOURCES

We used \$2.6 million in cash from operating activities in the first quarter of fiscal 2009, compared to generating \$16.0 million in cash from operating activities in the first quarter of fiscal 2008. Our cash used in operating activities in the first quarter of fiscal 2009 originated from a \$7.6 million decrease in cash flow due to a net increase in working capital, partially offset by \$0.1 million in net income and \$4.9 million in non-cash items. The decrease in cash from operations compared to the first quarter of fiscal 2008 was primarily due to decreased net income in the quarter, the timing of accrued liability payments, including the payment of our annual bonus related to fiscal 2008, and higher inventory levels, partially offset by decreased accounts receivable balances on the decreased level of sales.

In the first quarter of fiscal 2009, cash flows used in investing activities were \$2.3 million representing purchases of property, plant and equipment. In the first quarter of fiscal 2008, cash flows used in investing activities were \$2.5 million representing \$5.6 million for purchases of property, plant and equipment, primarily for the purchase and installation of a 300-millimeter polishing tool and related metrology equipment at our Asia Pacific technology center, partially offset by \$3.1 million provided by net sales of short-term investments. We estimate that our total capital expenditures in fiscal 2009 will be approximately \$10 million, which is down from our previous estimate of \$13 million.

In the first quarter of fiscal 2009, cash flows used in financing activities were \$0.4 million, representing \$0.3 million in repurchases of common stock pursuant to the terms of our Second Amended and Restated Cabot Microelectronics Corporation 2000 Equity Incentive Plan as shares withheld to cover payroll taxes on the vesting of shares of restricted stock under the Equity Incentive Plan and \$0.3 million in principal payments on our capital leases, partially offset by \$0.2 million received from the issuance of common stock under our Equity Incentive Plan. We did not repurchase any shares under our share repurchase program during the fiscal quarter ended December 31, 2008. In the first quarter of fiscal 2008, cash flows used in financing activities were \$13.8 million, primarily as a result of \$14.0 million in repurchases of common stock under our share repurchase program. In January 2008, the Board of Directors authorized a share repurchase program for up to \$75.0 million of our outstanding common stock. Share repurchases are made from time-to time, depending on market conditions, at management's discretion. As of December 31, 2008, we have \$50.0 million remaining on this share repurchase program. We fund share purchases under this program from our available cash balance. We view this program as a flexible and effective means to return cash to stockholders.

We have an unsecured revolving credit facility of \$50.0 million with an option to increase the facility up to \$80.0 million, which pursuant to an amendment we entered into in October 2008, extends the agreement to November 2011, with an option to renew for two additional one-year terms. Under this agreement, interest accrues on any outstanding balance at either the lending institution's base rate or the Eurodollar rate plus an applicable margin. We also pay a non-use fee. This amendment did not include any other material changes to the terms of the credit agreement. Loans under this facility are intended primarily for general corporate purposes, including financing working capital, capital expenditures and acquisitions. The credit agreement also contains various covenants. No amounts are currently outstanding under this credit facility and we believe we are currently in compliance with the covenants.

Despite the ongoing capital and credit market crisis, we believe that our current balance of cash and short-term investments, cash generated by our operations and available borrowings under our revolving credit facility will be sufficient to fund our operations, expected capital expenditures, including merger and acquisition activities, and share repurchases for the foreseeable future. Our pending acquisition of Epoch for \$66.0 million, subject to certain adjustments, will be funded through our existing available cash. However, as we plan to further expand our business and continue to improve our technology, we may be required to raise additional funds in the future through equity or debt financing, strategic relationships or other arrangements. The uncertainty in the capital and credit markets may hinder the ability to generate additional financing in the type or amount necessary to pursue such objectives.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2008, and September 30, 2008, we did not have any unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which might have been established for the purpose of facilitating off-balance sheet arrangements.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following summarizes our contractual obligations at December 31, 2008, and the effect such obligations are expected to have on our liquidity and cash flow in future periods.

CONTRACTUAL OBLIGATIONS (In millions)	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Purchase obligations	\$ 37.5	\$ 33.8	\$ 3.7	\$ -	\$ -
Pending acquisition	66.0	59.4	6.6	-	-
Capital lease obligations	3.4	1.2	2.2	-	-
Operating leases	2.1	1.1	1.0	-	-
Other long-term liabilities	3.5	-	-	-	3.5
Total contractual obligations	\$ 112.5	\$ 95.5	\$ 13.5	\$ -	\$ 3.5

We operate under a fumed silica supply agreement with Cabot Corporation under which we are generally obligated to purchase at least 90% of our six-month volume forecast for certain of our slurry products, to purchase certain non-material minimum quantities every six months, and to pay for the shortfall if we purchase less than these amounts. This agreement was amended in April 2008 to extend the termination date to December 2012 and to change the pricing and some other non-material terms of the agreement. The agreement will automatically renew unless either party gives certain notice of non-renewal. We currently anticipate we will not have to pay any shortfall under this agreement. We also operate under a fumed alumina supply agreement with Cabot Corporation that runs through December 2011, under which we are obligated to pay certain fixed, capital and variable costs. Purchase obligations include an aggregate amount of \$18.3 million of contractual commitments for fumed silica and fumed alumina under these contracts.

In December 2008, we announced that we had entered into a definitive agreement to acquire the shares of Epoch, a consolidated subsidiary of Eternal for a total purchase price of \$66.0 million, subject to certain adjustments. Under the share purchase agreement, we expect to initially pay \$59.4 million and obtain 90% of Epoch's stock upon closing, with the remaining \$6.6 million to be transferred into an escrow account in Taiwan at closing and paid to Eternal eighteen months later. During this interim period, Eternal will hold the remaining 10% interest in Epoch. The completion of the transaction is subject to customary closing conditions and regulatory approvals and we expect the transaction will close in our second quarter of fiscal 2009. Consequently, we have included the \$66.0 million in the contractual obligations table above.

Refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part II of our annual report on Form 10-K for the fiscal year ended September 30, 2008, for additional information regarding our contractual obligations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

EFFECT OF CURRENCY EXCHANGE RATES AND EXCHANGE RATE RISK MANAGEMENT

We conduct business operations outside of the United States through our foreign operations. Some of our foreign operations maintain their accounting records in their local currencies. Consequently, period to period comparability of results of operations is affected by fluctuations in exchange rates. The primary currencies to which we have exposure are the Japanese Yen and, to a lesser extent, the British Pound and the Euro. From time to time we enter into forward contracts in an effort to manage foreign currency exchange exposure. However, we may be unable to hedge these exposures completely. During the three months ended December 31, 2008, we recorded \$0.2 million in foreign currency translation gains that are included in other income on our Consolidated Statement of Income. We also recorded \$5.4 million in currency translation gains, net of tax, that are included in other comprehensive income on our Consolidated Balance Sheet. These gains primarily are the result of general weakening of the U.S. dollar relative to the Japanese Yen. Approximately 16% of our revenue is transacted in currencies other than the U.S. dollar. We do not currently enter into forward exchange contracts or other derivative instruments for speculative or trading purposes.

MARKET RISK AND SENSITIVITY ANALYSIS RELATED TO FOREIGN EXCHANGE RATE RISK

We have performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign exchange rates. As of December 31, 2008, the analysis demonstrated that such market movements would not have a material adverse effect on our consolidated financial position, results of operations or cash flows over a one-year period. Actual gains and losses in the future may differ materially from this analysis based on changes in the timing and amount of foreign currency rate movements and our actual exposures.

MARKET RISK RELATED TO INVESTMENTS IN AUCTION RATE SECURITIES

At December 31, 2008, we owned two auction rate securities (ARS) with a total estimated fair value of \$8.2 million (\$8.4 million par value) of which \$5.0 million was classified as short-term investments and \$3.2 million was classified as other long-term assets on our Consolidated Balance Sheet. General uncertainties in the global credit markets caused widespread ARS auction failures as the number of securities submitted for sale exceeded the number of securities buyers were willing to purchase. As a result, the short-term liquidity of the ARS market has been adversely affected.

In the first quarter of fiscal 2009, we maintained the \$0.2 million pre-tax and net of tax reduction that we had recorded in fiscal 2008 in stockholders' equity in accumulated other comprehensive income to reflect a decline in fair value of our ARS which we believed was temporary. We believe that we will be able to monetize the remaining two securities at par, either through successful auctions, refinancing of the underlying debt by the issuers, or holding the securities to maturity. However, if auctions involving our ARS continue to fail, if issuers are unable to refinance the underlying securities, if the issuing municipalities are unable to pay debt obligations and the bond insurance fails, or if credit ratings decline or other adverse developments occur in the credit markets, then we may not be able to monetize these securities in the short term and we may also be required to further adjust the carrying value of these instruments through an impairment charge that may be deemed other-than-temporary. See Notes 2 and 5 of the Notes to the Consolidated Financial Statements and the "Risk Factors" set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q for more information.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2008.

While we believe the present design of our disclosure controls and procedures is effective enough to make known to our senior management in a timely fashion all material information concerning our business, we intend to continue to improve the design and effectiveness of our disclosure controls and procedures to the extent we believe necessary in the future to provide our senior management with timely access to such material information, and to correct deficiencies that we may discover in the future, as appropriate.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

INHERENT LIMITATIONS ON EFFECTIVENESS OF CONTROLS

Because of inherent limitations, our disclosure controls or our internal control over financial reporting may not prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must take into account the benefits of controls relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include possible faulty judgment in decision making and breakdowns due to a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

While we are not involved in any legal proceedings that we believe will have a material impact on our consolidated financial position, results of operations or cash flows, we periodically become a party to legal proceedings in the ordinary course of business. For example, in January 2007, we filed a legal action against DuPont Air Products NanoMaterials LLC (DA Nano), a CMP slurry competitor, in the United States District Court for the District of Arizona, charging that DA Nano's manufacturing and marketing of CMP slurries infringe five CMP slurry patents that we own. The affected DA Nano products include certain products used for tungsten CMP. We filed our infringement complaint as a counterclaim in response to an action filed by DA Nano in the same court in December 2006 that seeks declaratory relief and alleges non-infringement, invalidity and unenforceability regarding some of the patents at issue in our complaint against DA Nano. DA Nano filed its complaint following our refusal of its request that we license to it our patents raised in its complaint. DA Nano's complaint does not allege any infringement by our products of intellectual property owned by DA Nano. On July 25, 2008, the District Court issued its patent claim construction, or "Markman" Order ("Markman Order") in the litigation. In a Markman ruling, a district court hearing a patent infringement case interprets and rules on the scope and meaning of disputed patent claim language regarding the patents in suit. We believe that a Markman decision is often a significant factor in the progress and outcome of patent infringement litigation. In the Markman Order, the District Court adopted interpretations that we believe are favorable to Cabot Microelectronics on all claim terms that were in dispute in the litigation. On January 27, 2009, we filed a motion for summary judgment on DA Nano's infringement of certain of the patents at issue in the suit, because we believe the evidence demonstrates that there is no dispute of material fact as to DA Nano's infringement of all of these patents with DA Nano's accused products used for tungsten CMP. On the same date, DA Nano filed a motion for summary judgment on non-infringement and invalidity of certain of the patents at issue in the suit. Although no trial date has been set, prior to the parties' filing of their respective motions of summary judgment, we had expected trial in this matter to occur sometime during calendar 2009. However, the existence of the respective motions for summary judgment may cause a later trial schedule. While the outcome of this and any legal matter cannot be predicted with certainty, we believe that our claims and defenses in the pending action are meritorious, and we intend to pursue and defend them vigorously.

ITEM 1A. RISK FACTORS

We do not believe there have been any material changes in our risk factors since the filing of our Annual Report on Form 10-K for the fiscal year ended September 30, 2008 other than the description of risks related to worldwide economic and industry conditions. However, we may update our risk factors in our SEC filings from time to time for clarification purposes or to include additional information, at management's discretion, even when there have been no material changes.

RISKS RELATING TO OUR BUSINESS

DEMAND FOR OUR PRODUCTS AND OUR BUSINESS MAY BE ADVERSELY AFFECTED BY WORLDWIDE ECONOMIC AND INDUSTRY CONDITIONS

Our business is affected by economic and industry conditions and our revenue is dependent upon semiconductor demand. Semiconductor demand, in turn, is impacted by semiconductor industry cycles, and these cycles can dramatically affect our business. These cycles may be characterized by decreases in product demand, excess customer inventories, and accelerated erosion of prices. The global economy is currently in recession and we first began to see significant adverse effects of this in our fourth quarter of fiscal 2008 as the reduction in end user demand for IC devices caused semiconductor manufacturers to reduce their production, which reduced the demand for our CMP consumable products. We believe the further weakening of the U.S. and global economy and the continued stress in the financial markets has deepened the current economic downturn and caused a significant decrease in demand for our products during the first quarter of fiscal 2009 as our revenue decreased over 30% from the previous fiscal quarter. If global economic conditions remain uncertain or deteriorate further, we may experience additional material adverse impacts on our results of operations and financial condition.

A prolonged global recession may have other adverse effects on our Company such as:

- The ability of our customers to pay their obligations to us may be adversely affected causing a negative impact on our cash flows and our results of operations.
- The carrying value of our goodwill and other intangible assets may decline in value, which could harm our financial position and results of operations.
- Our suppliers may not be able to fulfill their obligations to us, which could harm our production process and our business.

Some additional factors that affect demand for our products include customers' production of logic versus memory devices, their transition from 200 mm to 300 mm wafers, customers' specific integration schemes, share gains and losses and pricing changes by us and our competitors.

WE HAVE A NARROW PRODUCT RANGE AND OUR PRODUCTS MAY BECOME OBSOLETE, OR TECHNOLOGICAL CHANGES MAY REDUCE OR LIMIT INCREASES IN THE CONSUMPTION OF CMP SLURRIES AND PADS

Our business is substantially dependent on a single class of products, CMP slurries, which account for the majority of our revenue. We are also developing our business in CMP pads. Our business would suffer if these products became obsolete or if consumption of these products decreased. Our success depends on our ability to keep pace with technological changes and advances in the semiconductor industry and to adapt, improve and customize our products for advanced IC applications in response to evolving customer needs and industry trends. Since its inception, the semiconductor industry has experienced rapid technological changes and advances in the design, manufacture, performance and application of IC devices, and our customers continually pursue lower cost of ownership of materials consumed in their manufacturing processes, including CMP slurries and pads. We expect these technological changes and advances, and this drive toward lower costs, will continue in the future. Potential technology developments in the semiconductor industry, as well as our customers' efforts to reduce consumption of CMP slurries and pads, could render our products less important to the IC device manufacturing process.

A SIGNIFICANT AMOUNT OF OUR BUSINESS COMES FROM A LIMITED NUMBER OF LARGE CUSTOMERS AND OUR REVENUE AND PROFITS COULD DECREASE SIGNIFICANTLY IF WE LOST ONE OR MORE OF THESE CUSTOMERS

Our customer base is concentrated among a limited number of large customers. One or more of these principal customers could stop buying CMP consumables from us or could substantially reduce the quantity of CMP consumables they purchase from us. Our principal customers also hold considerable purchasing power, which can impact the pricing and terms of sale of our products. Any deferral or significant reduction in CMP consumables sold to these principal customers, or a significant number of smaller customers, could seriously harm our business, financial condition and results of operations.

In fiscal 2008, our five largest customers accounted for approximately 44% of our revenue; with Taiwan Semiconductor Manufacturing Company (TSMC) accounting for approximately 17% of our revenue. During the three months ended December 31, 2008 and 2007, our five largest customers accounted for approximately 38% and 42% of our revenue; respectively. TSMC was our largest customer during each of these periods, accounting for approximately 15% and 17% of our revenue for the three months ended December 31, 2008 and 2007, respectively.

OUR BUSINESS COULD BE SERIOUSLY HARMED IF OUR EXISTING OR FUTURE COMPETITORS DEVELOP SUPERIOR SLURRY PRODUCTS, OFFER BETTER PRICING TERMS OR SERVICE, OR OBTAIN CERTAIN INTELLECTUAL PROPERTY RIGHTS

Competition from current CMP slurry manufacturers or new entrants to the CMP slurry market could seriously harm our business and results of operations. Competition from other existing providers of CMP slurries could continue to increase, and opportunities exist for other companies with sufficient financial or technological resources to emerge as potential competitors by developing their own CMP slurry products. Increased competition has and may continue to impact the prices we are able to charge for our slurry products as well as our overall business. In addition, our competitors could have or obtain intellectual property rights which could restrict our ability to market our existing products and/or to innovate and develop new products.

ANY PROBLEM OR DISRUPTION IN OUR SUPPLY CHAIN, INCLUDING SUPPLY OF OUR MOST IMPORTANT RAW MATERIALS, OR IN OUR ABILITY TO MANUFACTURE AND DELIVER OUR PRODUCTS TO OUR CUSTOMERS, COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS

We depend on our supply chain to enable us to meet the demands of our customers. Our supply chain includes the raw materials we use to manufacture our products, our production operations, and the means by which we deliver our products to our customers. Our business could be adversely affected by any problem or interruption in our supply of the key raw materials we use in our CMP slurries and pads, including fumed metal oxides such as fumed alumina and fumed silica, which we use for certain of our slurries, or any problem or interruption that may occur during production or delivery of our products, such as weather-related problems or natural disasters.

For example, Cabot Corporation continues to be our primary supplier of particular amounts and types of fumed alumina and fumed silica. We believe it would be difficult to promptly secure alternative sources of key raw materials, including fumed alumina and fumed silica, in the event one of our suppliers becomes unable to supply us with sufficient quantities of raw materials that meet the quality and technical specifications required by our customers. In addition, contractual amendments to the existing agreements with, or non-performance by, our suppliers could adversely affect us. Also, if we change the supplier or type of key raw materials we use to make our CMP slurries or pads, or are required to purchase them from a different manufacturer or manufacturing facility or otherwise modify our products, in certain circumstances our customers might have to requalify our CMP slurries and pads for their manufacturing processes and products. The requalification process could take a significant amount of time and expense to complete and could motivate our customers to consider purchasing products from our competitors, possibly interrupting or reducing our sales of CMP consumables to these customers.

WE ARE SUBJECT TO RISKS ASSOCIATED WITH OUR FOREIGN OPERATIONS

We currently have operations and a large customer base outside of the United States. Approximately 81% and 80% of our revenue was generated by sales to customers outside of the United States for the fiscal year ended September 30, 2008, and the three months ended December 31, 2008, respectively. We encounter risks in doing business in certain foreign countries, including, but not limited to, adverse changes in economic and political conditions, fluctuation in exchange rates, compliance with a variety of foreign laws and regulations, as well as difficulty in enforcing business and customer contracts and agreements, including protection of intellectual property rights.

WE MAY PURSUE ACQUISITIONS OF, INVESTMENTS IN, AND STRATEGIC ALLIANCES WITH OTHER ENTITIES, WHICH COULD DISRUPT OUR OPERATIONS AND HARM OUR OPERATING RESULTS IF THEY ARE UNSUCCESSFUL

We expect to continue to make investments in companies, either through acquisitions, investments or alliances, in order to supplement our internal growth and development efforts. Acquisitions and investments, including our pending acquisition of Epoch Material Co., Ltd., a Taiwan-based company, involve numerous risks, including the following: difficulties in integrating the operations, technologies, products and personnel of acquired companies; diversion of management's attention from normal daily operations of the business; increased risk associated with foreign operations; potential difficulties in entering markets in which we have limited or no direct prior experience and where competitors in such markets have stronger market positions; potential difficulties in operating new businesses with different business models; potential difficulties with regulatory or contract compliance in areas in which we have limited experience; initial dependence on unfamiliar supply chains or relatively small supply partners; insufficient revenues to offset increased expenses associated with acquisitions; potential loss of key employees of the acquired companies; or inability to effectively cooperate and collaborate with our alliance partners.

Further, we may never realize the perceived or anticipated benefits of a business combination or investments in other entities. Acquisitions by us could have negative effects on our results of operations, in areas such as contingent liabilities, gross profit margins, amortization charges related to intangible assets and other effects of accounting for the purchases of other business entities. Investments in and acquisitions of technology and development stage companies are inherently risky because these businesses may never develop, and we may incur losses related to these investments. In addition, we may be required to write down the carrying value of these investments to reflect other than temporary declines in their value, which could harm our business and results of operations.

BECAUSE WE HAVE LIMITED EXPERIENCE IN BUSINESS AREAS OUTSIDE OF CMP SLURRIES, EXPANSION OF OUR BUSINESS INTO NEW PRODUCTS AND APPLICATIONS MAY NOT BE SUCCESSFUL

An element of our strategy has been to leverage our current customer relationships and technological expertise to expand our CMP business from CMP slurries into other areas, such as CMP polishing pads. Additionally, pursuant to our Engineered Surface Finishes business, we are actively pursuing a variety of surface modification applications, such as high precision optics. Expanding our business into new product areas could involve technologies, production processes and business models in which we have limited experience, and we may not be able to develop and produce products or provide services that satisfy customers' needs or we may be unable to keep pace with technological or other developments. Also, our competitors may have or obtain intellectual property rights which could restrict our ability to market our existing products and/or to innovate and develop new products.

BECAUSE WE RELY HEAVILY ON OUR INTELLECTUAL PROPERTY, OUR FAILURE TO ADEQUATELY OBTAIN OR PROTECT IT COULD SERIOUSLY HARM OUR BUSINESS

Protection of intellectual property is particularly important in our industry because we develop complex technical formulas for CMP products that are proprietary in nature and differentiate our products from those of our competitors. Our intellectual property is important to our success and ability to compete. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as employee and third-party nondisclosure and assignment agreements. Due to our international operations, we pursue protection in different jurisdictions, which may provide varying degrees of protection, and we cannot provide assurance that we can obtain adequate protection in each such jurisdiction. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason, including through the patent prosecution process or in the event of litigation related to such intellectual property, such as the current litigation between us and DuPont Air Products Nanomaterials described in "Legal Proceedings" in this Form 10-Q, could seriously harm our business. In addition, the costs of obtaining or protecting our intellectual property could negatively affect our operating results.

WE MAY NOT BE ABLE TO MONETIZE OUR INVESTMENTS IN AUCTION RATE SECURITIES IN THE SHORT TERM AND WE COULD EXPERIENCE A DECLINE IN THEIR MARKET VALUE, WHICH COULD ADVERSELY AFFECT OUR FINANCIAL RESULTS

We owned auction rate securities (ARS) with an estimated fair value of \$8.2 million (\$8.4 million par value) at December 31, 2008. We classified \$5.0 million of fair value as Short-Term Investments and \$3.2 million as Other Long-Term Assets on our Consolidated Balance Sheet as of December 31, 2008. If auctions involving our ARS continue to fail, if issuers of our ARS are unable to refinance the underlying securities, if issuers are unable to pay debt obligations and related bond insurance fails, or if credit ratings decline or other adverse developments occur in the credit markets, then we may not be able to monetize these securities in the short term. We may also be required to further adjust the carrying value of these instruments through an impairment charge that may be deemed other-than-temporary which would adversely affect our financial results.

OUR INABILITY TO ATTRACT AND RETAIN KEY PERSONNEL COULD CAUSE OUR BUSINESS TO SUFFER

If we fail to attract and retain the necessary managerial, technical and customer support personnel, our business and our ability to maintain existing and obtain new customers, develop new products and provide acceptable levels of customer service could suffer. We compete with other industry participants for qualified personnel, particularly those with significant experience in the semiconductor industry. The loss of services of key employees could harm our business and results of operations.

RISKS RELATING TO THE MARKET FOR OUR COMMON STOCK

THE MARKET PRICE MAY FLUCTUATE SIGNIFICANTLY AND RAPIDLY

The market price of our common stock has fluctuated and could continue to fluctuate significantly as a result of factors such as: economic and stock market conditions generally and specifically as they may impact participants in the semiconductor and related industries; changes in financial estimates and recommendations by securities analysts who follow our stock; earnings and other announcements by, and changes in market evaluations of, us or participants in the semiconductor and related industries; changes in business or regulatory conditions affecting us or participants in the semiconductor and related industries; announcements or implementation by us, our competitors, or our customers of technological innovations, new products or different business strategies; and trading volume of our common stock.

ANTI-TAKEOVER PROVISIONS UNDER OUR CERTIFICATE OF INCORPORATION AND BYLAWS AND OUR RIGHTS PLAN MAY DISCOURAGE THIRD PARTIES FROM MAKING AN UNSOLICITED BID FOR OUR COMPANY

Our certificate of incorporation, our bylaws, our rights plan and various provisions of the Delaware General Corporation Law may make it more difficult to effect a change in control of our Company. For example, our amended and restated certificate of incorporation authorizes our Board of Directors to issue up to 20 million shares of blank check preferred stock and to attach special rights and preferences to this preferred stock, which may make it more difficult or expensive for another person or entity to acquire control of us without the consent of our Board of Directors. Also our amended and restated certificate of incorporation provides for the division of our Board of Directors into three classes as nearly equal in size as possible with staggered three-year terms.

We have adopted change in control arrangements covering our executive officers and other key employees. These arrangements provide for a cash severance payment, continued medical benefits and other ancillary payments and benefits upon termination of service of a covered employee's employment following a change in control, which may make it more expensive to acquire our Company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**ISSUER PURCHASES OF EQUITY SECURITIES**

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
Oct. 1 through Oct. 31, 2008	-	-	-	\$50,003
Nov. 1 through Nov. 30, 2008	-	-	-	\$50,003
Dec. 1 through Dec. 31, 2008	14,351	\$23.29	-	\$50,003
Total	14,351	\$23.29	-	\$50,003

In January 2008, we announced that the Board of Directors had authorized a share repurchase program for up to \$75.0 million of our outstanding common stock. Shares are repurchased from time to time, depending on market conditions, in open market transactions, at management's discretion. We fund share repurchases from our existing cash balance. The program, which became effective on the authorization date, may be suspended or terminated at any time, at the Company's discretion. We view the program as a flexible and effective means to return cash to stockholders.

Separate from this share repurchase program, the shares purchased during the first quarter of fiscal 2009 were purchased pursuant to the terms of our Second Amended and Restated Cabot Microelectronics Corporation 2000 Equity Incentive Plan as shares withheld to cover payroll taxes on the vesting of shares of restricted stock granted under the Equity Incentive Plan.

ITEM 6. EXHIBITS

The exhibit numbers in the following list correspond to the number assigned to such exhibits in the Exhibit Table of Item 601 of Regulation S-K:

Exhibit Number	Description
10.55	Share Purchase Agreement dated December 19, 2008 among Cabot Microelectronics Global Corporation, Eternal Chemical Co., Ltd., Major Co-Sellers, and Epoch Material Co. Ltd. *
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*This Exhibit has been filed separately with the Securities and Exchange Commission pursuant to the submission of a confidential treatment request. The confidential portions of this Exhibit have been omitted and are marked by an asterisk.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CABOT MICROELECTRONICS CORPORATION

Date: February 5, 2009

/s/ WILLIAM S. JOHNSON

William S. Johnson
Vice President and Chief Financial Officer
[Principal Financial Officer]

Date: February 5, 2009

/s/ THOMAS S. ROMAN

Thomas S. Roman
Corporate Controller
[Principal Accounting Officer]

*** Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17C.F.R. Sections 200.80(b)(4) and 240.24b-2

SHARE PURCHASE AGREEMENT

Among

CABOT MICROELECTRONICS GLOBAL CORPORATION,

ETERNAL CHEMICAL CO., LTD.,

MAJOR CO-SELLERS

and

EPOCH MATERIAL CO. LTD.

December 19, 2008

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- Schedule 2-2. Material changes since September 30, 2008
- Schedule 2-3. A List of each Material Contract
- Schedule 2-4. A List of the employment information
- Schedule 2-5. A List of Insurance Policies
- Schedule 2-6. A List of Proceedings by or against Epoch
- Schedule 2-7. A List of Intellectual Properties
- Schedule 2-8. A List of Permits
- Schedule 2-9. List of Accounts Receivable
- Schedule 2-10. A List of Lease Agreements and Real Property Leases
- Schedule 2-11. A List of Tangible Personal Property
- Schedule 2-12. A List of Hazardous Materials
- Schedule 2-13. A List of Purchase Order and Accounts Payable
- Schedule 2-14. A List of Related Persons
- Schedule 3. Buyer's Warranty
- Schedule 4. List of Executive Officers of Epoch
- Schedule 5. Closing Documents
- Schedule 6. Officers and Clients Lists
- Schedule 7. List of Epoch Personnel to Sign Mandate/Employee Agreements
- Schedule 8. Planned Capital Commitments
- Schedule 9. Chief Executive Officer and Chief Financial Officer Certified Matters
- Schedule 10. Seller's Counsel Certified Matters
- Attachment A. Schedule of Exceptions
- Attachment B. Form of Mandate or Employment Agreements
- Attachment C. Form of Non-Eternal Share Purchase Agreement

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (the "Agreement") is entered into on the 19th day of December, 2008 by and among the following parties (sometimes hereinafter referred to as the "**Parties**");

- (1) **Cabot Microelectronics Global Corporation**, a corporation organized and existing under the laws of the State of Delaware, U.S.A., with its registered office at 870 N. Commons Drive, Aurora, Illinois 60504, U.S.A (hereinafter referred to as "**Buyer**");
- (2) **Eternal Chemical Co., Ltd. (hereinafter referred to as "Eternal")**;
- (3) **Major Co-Sellers** (as hereinafter defined);
and
- (4) **Epoch Material Co. Ltd. (hereinafter referred to "Epoch")**.

THE PARTIES ENTER INTO THIS AGREEMENT based upon the following facts, intentions and understandings:

- A. Eternal is the majority shareholder of Epoch, a company organized and existing under the laws of the ROC as a company limited by shares with its principal office at no. 2, Luke 8th Road, Kaohsiung Science Park, Lu-Chuh Hsiang, Kaohsiung County, Taiwan 82151, ROC (Uniform Number: 80725596).
- B. Eternal owns approximately eighty-eight point six percent (88.6%) of the total issued and outstanding capital stock of Epoch, consisting of 40,516,442 shares of capital stock of Epoch (the "Eternal Shares"), and the employees of Epoch and Eternal and certain other individuals in the aggregate own the remaining approximately eleven point four percent (11.4%) of the capital stock of Epoch (the "Non-Eternal Shareholders"), consisting of 5,213,558 shares (the "Non-Eternal Shares"). Details of the address and number of shares held by each shareholder in Epoch are specified in **Schedule 1** as attached hereto.
- C. Buyer will enter into share purchase agreements with the holders (the "First Co-Sellers") of the Non-Eternal Shares to acquire all of the Non-Eternal Shares at the First Closing (as defined herein) ("Non-Eternal Share Purchase Agreement"), provided, however, that notwithstanding the foregoing, certain Non-Eternal Shareholders who own not more than 0.5% of the total issued and outstanding capital stock of Epoch may fail to be located or may fail to execute share purchase agreements with the Buyer without causing a failure of a condition precedent to the obligations of Buyer hereunder. The Major Co-Sellers, who are part of and included in the First Co-Sellers, desire to enter into this Agreement for the limited purpose of committing to sign, and cause their relatives to sign, the Non-Eternal Share Purchase Agreement as provided in Section 2.1(a)(ii) hereof. Eternal shall use its best efforts to locate the Non-Eternal Shareholders and cause them to enter into Non-Eternal Share Purchase Agreements with Buyer.

- D. Buyer desires to purchase all of the Eternal Shares and the Non-Eternal Shares to obtain direct ownership of all of the ownership interest of Epoch, which owns the Epoch Business (as hereinafter defined) and the Epoch Assets (as hereinafter defined). Epoch is engaged in the development, production and sales of chemical mechanical planarization ("CMP") slurry products, CMP clean solutions, liquid crystal display slurry products, and various other polishing products, including the resale of certain consumable products such as o-rings and filters, for use in various polishing or planarization applications for the semiconductor, flat panel display, and other industries.
- E. Epoch has acquired, developed, owned, leased, and operated certain assets and properties, including, but not limited to, intangible property, leaseholds, licenses, intellectual property and permits required for conducting the Epoch Business.
- F. At the First Closing (as hereinafter defined), Eternal and First Co-Sellers will sell to Buyer the First Shares (as hereinafter defined), in the aggregate representing 90% of the total issued and outstanding capital stock of Epoch to Buyer and including all of the Non-Eternal Shares (subject to the exception of not more than 0.5% of the issued and outstanding capital stock as set forth in Paragraph B, provided, that in such event Eternal shall sell such additional shares to Buyer as may be necessary to transfer 90% of the issued and outstanding shares of Epoch to Buyer at the First Closing) at a price per share of USD\$1.44325388, and at the Second Closing (as hereinafter defined) Eternal will sell all of the remainder of its shares to Buyer at a price per share of USD\$1.44325388. Subject to the Working Capital Adjustment, if any, provided for in Section 2.2(a)(ii), the total purchase price that Buyer will pay to Eternal for the Eternal Shares (as hereinafter defined) is USD\$58,475,512 (which is the price per share of USD\$1.44325388, multiplied by the number (40,516,442) of Eternal Shares).
- G. Epoch desires to enter this Agreement for the limited purpose of agreeing to the matters set forth in Sections 4, 5, and 6 hereof, where applicable.

NOW, THEREFORE, FOR AND IN CONSIDERATION of the premises and mutual covenants, warranties and conditions herein contained, the Parties hereby agree as follows:

SECTION 1 DEFINITION AND INTERPRETATION

1.1. Definition and Interpretation

In this Agreement the following definitions and rules of interpretation shall apply:

"Breach"	means any material breach of, or any material inaccuracy in, any representation or warranty or any breach of, or material failure to perform or substantially comply with, any covenant or obligation, in or of this Agreement or any other Contract, or any material event which with the passing of time or the giving of notice, or both, would constitute such a breach, inaccuracy or failure.
"CMC Group"	means Cabot Microelectronics Corporation, a corporation organized and existing under the laws of the State of Delaware, U.S.A., with its principal offices at 870 Commons Drive, Aurora, Illinois 60504, U.S.A. and its affiliates, direct and indirect, wholly owned subsidiaries, including, but not limited to the Buyer.
"Closings"	means the First Closing and the Second Closing.
"Conflict"	means conflict with, or any violation of or default under (with or without notice or lapse of time, or both) any obligation or benefit, including, but not limited to, such conflicts, violations or defaults giving rise to a right of termination, cancellation, modification or acceleration of any obligation or benefit.
"Consent"	means any approval, consent, ratification, waiver or other required authorization.
"Contemplated Transactions"	means all of the transactions, including the First Transaction and the Second Transaction, contemplated by this Agreement.
"Contract"	means any agreement, contract, Lease, consensual obligation, promise or undertaking (whether written or oral and whether express or implied).
"Encumbrance"	means any charge, claim, community or other marital property interest, condition, equitable interest, lien, option, pledge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first option, right of first refusal or similar restriction, including any restriction on use, voting (in the case of any security or equity interest), transfer, receipt of income or exercise of any other attribute of ownership.
"Environment"	means soil, land surface or subsurface strata, surface waters (including navigable waters and ocean waters), publicly or privately owned treatment works, drains, sewer systems (including septic systems), wetlands, groundwaters, drinking water supply, stream sediments, ambient air (including indoor air) and any other environmental medium or natural resource.
"Environmental Health and Safety Liabilities"	means any cost, damages, expense, Liability, obligation or other responsibility arising from or under any Environmental Law or Occupational Safety and Health Law, including those consisting of or relating to: (a) any environmental, health or safety matter or condition (including on-site or off-site contamination, occupational safety and health and regulation of any chemical substance or product); (b) any fine, penalty, judgment, award, settlement, legal or administrative proceeding, damages, loss, claim, demand or response, remedial or inspection cost or expense arising under any Environmental Law or Occupational Safety and Health Law, including, but not limited to, attorney, expert and consultant fees and costs; (c) financial responsibility under any Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any cleanup, removal, containment or other remediation or response actions ("Cleanup") required by any Environmental Law or Occupational Safety and Health Law (whether or not such Cleanup has been required or requested by any Governmental Body or any other

"Environmental Law"

Person) and for any natural resource damages;

(d) any compliance, corrective, remedial or other action or liability related to or arising from Eternal's and Epoch's operation of the Old Plant II on Eternal's property; or

(e) any other compliance, corrective or remedial measure required under any Environmental Law or Occupational Safety and Health Law.

means any Legal Requirement, including but not limited to, Air Pollution Control Act, Water Pollution Control Act, Waste Clearance Act, Toxic Chemical Substance Control Act, Soil and Groundwater Pollution Remediation Act, at any time in force or effect in the ROC, relating to:

(a) emissions, discharges, spills, Release of Hazardous Material into the Environment;

(b) the use, treatment, storage, disposal, handling, manufacturing, transportation or shipment of Hazardous Material;

(c) the regulation of storage tanks;

(d) assuring that products are designed, formulated, packaged and used so that they do not present unreasonable risks to human health or the Environment when used or disposed; or

(e) otherwise relating to pollution or the protection of human health or the Environment.

"Epoch Assets"	means the assets, Facilities, licenses, permits or any other Tangible Personal Property or intangible property owned or used by Epoch in the conduct of the Epoch Business as of the First Closing Date, as described under Section 6 of Schedule 2.A, except for (i) any rights related to 3D wire bond, (ii) 50% of the rights related to the patents application of 3D TSV, which has been filed by Epoch, and are to be co-owned by Eternal and Buyer in accordance with Section 5.9, and (iii) the trademarks owned by Epoch with the word "Eternal" to be transferred to Eternal in accordance with Section 5.10.
"Epoch Business"	means the business as currently conducted by Epoch as of the date of this Agreement, which includes the development, production and sales of chemical mechanical planarization (CMP) slurry products, CMP clean solutions, liquid crystal display slurry and clean products, and various other polishing products, including the resale of certain consumable products such as o-rings and filters, for use in various polishing and planarization applications for the semiconductor, flat panel display, and other industries, excluding the current business related to the wire bond in 3D applications.
"Eternal First Shares"	Means the First Shares minus the number of shares transferred by the First Co-Sellers to Buyer in the First Closing.
"Eternal First Purchase Price"	Means the aggregate purchase price for the Eternal First Shares calculated based on the price per share set forth in the definition of "First Purchase Price", subject to any Working Capital Adjustment as provided in Section 2.2(a)(ii).
"Eternal Second Purchase Price"	Means the aggregate purchase price for the Eternal Second Shares calculated based on the price per share set forth in the definition of "First Purchase Price".
"Eternal Second Shares"	Means the remaining shares of the issued and outstanding capital stock of Epoch held by Eternal after the First Closing.
"Eternal Shares"	Means the 40,516,442 shares of the issued and outstanding capital stock of Epoch owned by Eternal as of the date hereof and prior to the First Closing, which includes the one thousand (1000) shares to be transferred by Eternal to Buyer pursuant to Section 5.7.
"Facilities"	Means any real property, leasehold or other interest in real property currently owned or operated by Epoch. Notwithstanding the foregoing, for purposes of the definitions of "Hazardous Activity" and "Remedial Action" and Section 22 under the Schedule 2.A hereunder ("Environmental Matters"), "Facilities" shall mean any real property, leasehold or other interest in real property currently or formerly owned or operated by Epoch.
"First Closing"	has the meaning under Section 3.1 (a).
"First Closing Date"	has the meaning under Section 3.1 (a).
"First Purchase Price"	means the aggregate purchase price for the First Shares of fifty-nine-million-four-hundred-thousand United States Dollars (USD\$59,400,000), which equates to the price per share of USD\$1.44325388, multiplied by the number of First Shares (41,157,000), to be paid in an aggregate amount of NT\$ converted at the closing spot buying exchange rate between one USD and NT\$ as posted by Bank of Taiwan seven business days prior to the First Closing Date, subject to the Working Capital Adjustment, if any, provided for in Section 2.2(a)(ii).
"First Co-Sellers"	has the meaning set forth in Paragraph C of the recitals above and includes the Major Co-Sellers.
"First Shares"	means a total of 41,157,000 shares of the capital stock of Epoch, constituting 90% of the issued and outstanding capital stock of Epoch, to be delivered to the Buyer at the First Closing by Eternal and the First Co-Sellers, including and together with all rights, interests, entitlement to dividends, earnings and profits of Epoch as of the First Closing Date.
"First Transaction"	means the sale and purchase of the First Shares, and the indirect ownership and interests in the Epoch Business and Epoch Assets contemplated by this Agreement and any part of that transaction.
"First Trust Account"	means the trust account for the First Trust Amount in accordance with Section 2.5 hereof.
"First Trust Amount"	means an amount equivalent to ten percent (10%) of the Eternal First Purchase Price plus five-hundred-thousand United States dollars (USD\$500,000), to be deposited by Eternal into the First Trust Account at the First Closing, contemporaneous with Buyer's payment of the First Purchase Price, in accordance with Section 2.5 hereof.
"GAAP"	means generally accepted accounting principles for financial reporting in the ROC.

"Governing Documents"	means with respect to any particular entity, (a) if a corporation, the articles or certificate of incorporation and the bylaws; (b) all equity holders' agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of any Person or relating to the rights, duties and obligations of the equity holders of any Person; and (c) any amendment or supplement to any of the foregoing.
"Governmental Authorization"	means any Consent, license, registration or permit issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.
"Governmental Body"	means any: <ul style="list-style-type: none">(a) nation, municipality, county, city, town, village, district or other jurisdiction;(b) national, local, municipal, foreign or other government;(c) governmental or quasi-governmental authority of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental or quasi-governmental powers); or,(d) body exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power, in the ROC or in any other jurisdiction in which Epoch conducts business or has business conducted on its behalf.
"Hazardous Activity"	means the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment or use (including any withdrawal or other use of groundwater) of Hazardous Material in, on, under, about or from any of the Facilities or any part thereof into the Environment and any other act, business, operation or thing that increases the danger, or risk of danger, or poses an unreasonable risk of harm, to persons or property on or off the Facilities.
"Hazardous Material"	means at any time, any substance, material or waste which is regulated by any Governmental Body, including any material, substance or waste which is defined as a "hazardous substance," "contaminant," "pollutant," "general waste," "hazardous industrial waste," "general industrial waste," "public nuisance", or "toxic chemical substance" under any provision of Environmental Law, and including radon, petroleum, petroleum products, asbestos (including, but not limited to, presumed asbestos-containing material or asbestos-containing material), radioactive material, PCB-containing materials, urea formaldehyde, polychlorinated biphenyls, trichloroethylene, perchloroethylene, mineral spirits, kerosene and naphtha solvents.
"Indemnified Amount"	means the amount of Losses to be indemnified under Section 8 of this Agreement.
"Inventories"	means all inventories of Epoch, wherever located, including all finished goods, work in process, raw materials, spare parts and all other materials and supplies to be used or consumed by Epoch in the production or sale of finished goods.
"Knowledge"	an individual will be deemed to have Knowledge of a particular fact or other matter if: (a) that individual is actually aware of that fact or matter; or (b) a prudent individual reasonably could be expected to discover or otherwise become aware of that fact or matter in the course of conducting a reasonable investigation regarding the accuracy of any representation or warranty contained in this Agreement. A Person (other than an individual) will be deemed to have Knowledge of a particular fact or other matter if any individual who is serving as a director of that Person has, or at any time had, Knowledge of that fact or other matter (as set forth in (a) and (b) above), and any such individual (and any individual party to this Agreement) will be deemed to have conducted a reasonable investigation regarding the accuracy of the representations and warranties made herein by that Person or individual. Without limiting the foregoing, Eternal will also be deemed to have Knowledge of a particular fact or other matter if any officer or director of Epoch has, or at any time had, Knowledge of that fact or other matter (as set forth in (a) and (b) above).
"Lease"	means any real property lease or any lease or rental agreement, license, right to use or installment and conditional sale agreement to which Epoch is a party and any other Epoch Contract pertaining to the leasing or use of any Tangible Personal Property.

"Legal Requirement"	means any law, code, regulation, statute or treaty, prevailing and in force in the ROC, whether national, local, foreign, international or multinational.
"Liabilities"	means with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.
"Loss"	means all claims, expenses (including reasonable attorneys' fees), losses and Liabilities in accordance with Section 8.1 hereof.
"Major Co-Sellers"	means those First Co-Sellers listed on Schedule 1-2 who will sign this Agreement for the limited purpose of committing to signing, and causing their relatives to sign, the Non-Eternal Share Purchase Agreements as provided in Section 2.1(a)(ii) hereof.
"Material Adverse Effect"	means any change, event or effect that is not directly and specifically attributable to CMC Group in Buyer's reasonable determination (to the extent necessary, as supported by the assessment of an independent third party chosen by the Parties), and is or could reasonably be expected to be materially adverse to: (a) the results of operations, financial condition, business, prospects, rights, properties, assets (including any material damage or destruction or loss of any of the assets of Epoch that could materially and adversely affect its business) or Liabilities of Epoch, including materially adverse developments in the industry in which Epoch operates, (b) Epoch's relations with its management, employees, creditors, suppliers, customers, or others having business relationships with Epoch, in each case, taken as a whole, (c) the ability of Epoch and Eternal to consummate the Contemplated Transactions or perform their obligations hereunder; provided, that conditions resulting from the announcement of the Contemplated Transactions shall not be deemed to constitute, and shall not be taken into account in determining whether there has been, a Material Adverse Effect, (d) any borrowing or Contracts to borrow money through loans or otherwise by Epoch that could materially and adversely affect its business, (e) any distribution or payment by Epoch to Eternal or to any entity controlled, directly or indirectly, by any of them (other than dividends properly declared) that could materially and adversely affect Epoch's business, (f) any other change which materially and adversely affects the business or prospects of Epoch, including any material excursion related to any of Epoch's products, or (g) any event which is outside Epoch's Ordinary Course of Business that could materially and adversely affect its business.
"Non-Eternal Shareholders"	means the shareholders of Epoch other than Eternal.
"Non-Eternal Shares"	means the 5,213,558 shares of the issued and outstanding capital stock of Epoch owned by the Non-Eternal Shareholders as of the date hereof and prior to the First Closing.
"NT\$"	means the currency of New Taiwan dollar in ROC.
"Old Plant II"	means the plant set forth on Schedule 1-3.
"Order"	means any order, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Body or arbitrator.
"Ordinary Course of Business"	an action taken by a Person will be deemed to have been taken in the Ordinary Course of Business only if that action: (a) is consistent in nature, scope and magnitude with the past practices of such Person and is taken in the ordinary course of the normal operations of such Person; and (b) does not require authorization by the board of directors or shareholders of such Person (or by any Person or group of Persons exercising similar authority) and does not require any other separate or special authorization of any nature; or (c) is similar in nature, scope and magnitude to actions customarily taken, without any separate or special authorization, in the ordinary course of the normal operations of other Persons that are in the same line of business as such Person.
"Occupational Safety and Health Law"	means any Legal Requirement relating to the prevention of occupational accidents or protection of labor safety and health, including but not limited to, Labor Safety and Health Act, Factory Act, Environmental Agents Control Act, Labor Inspection Act, Protection for Workers Incurring Occupational Accidents Act and other applicable laws and regulations in the ROC.
"Party"	means a party to this Agreement.

"Person"	means an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity or any Governmental Body.
"Proceeding"	means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Body or arbitrator.
"Real Property Lease"	means the Leases of the properties listed on Schedule 1-4.
"Record"	means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.
"Related Person"	means, in relation to the relevant Party, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Party.
"Release"	means any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching or migration on or into the Environment or into or out of any property.
"Remedial Action"	means all actions, including any capital expenditures, required or voluntarily undertaken (a) to clean up, remove, treat or in any other way address any Hazardous Material or other substance; (b) to prevent the Release or to minimize the further Release of any Hazardous Material or other substance so it does not migrate or endanger or threaten to endanger public health or welfare or the Environment; (c) to perform pre-remedial studies and investigations or post-remedial monitoring and care; or (d) to bring all Facilities and the operations conducted thereon into compliance with Environmental Laws and environmental Governmental Authorizations.
"Representations, Warranties and Covenants"	means the representations, warranties and covenants set out in Schedules 2 or 3 , as applicable.
"ROC"	means the Republic of China.
"Second Closing"	has the meaning under Section 3.1 (b).
"Second Closing Date"	has the meaning under Section 3.1 (b).
"Second Co-Sellers"	has the meaning set forth in Section 3.2(j).
"Second Shares"	means the Eternal Second Shares plus any shares sold by the Second Co-Sellers, to be delivered to the Buyer at the Second Closing by Eternal and the Second Co-Sellers, including and together with all rights, interests, entitlement to dividends, earnings and profits of Epoch as of the Second Closing Date, the aggregate of which constitutes 4,573,000 shares, which constitutes ten percent (10%) of the issued and outstanding capital stock of Epoch, minus not more than 0.5% of the total issued and outstanding capital stock of Epoch held by Non-Eternal Shareholders as of the First Closing, if any.
"Second Purchase Price"	means the purchase price for the Second Shares calculated as follows: six-million-six-hundred-thousand United States Dollars (USD\$6,600,000) (which is the price per share of USD\$1.44325388, multiplied by the maximum possible number of Second Shares, <i>minus</i> the following: the sum of (a) an amount equal to i) the price per share of USD\$1.44325388, multiplied by the number of shares delivered at the Second Closing by the Second Co-Sellers, if any; <i>subtracted from</i> ii) the price per share of USD\$1.44325388, multiplied by the number of remaining shares, if any, held by Non-Eternal Shareholders immediately after the First Closing; plus, b) an amount equal to any dividends paid either by Epoch to Eternal or by Buyer to any Second Co-Sellers related to their shareholding in Epoch after the date of signing this Agreement; such Second Purchase Price to be paid in an aggregate amount of NT\$ converted at the closing spot buying exchange rate between one USD and NT\$ as posted by Bank of Taiwan seven business days prior to the <u>Second Closing.</u>
"Second Transaction"	means the sale and purchase of the Second Shares.
"Second Trust Account"	means the escrow account for the Second Trust Amount in accordance with Section 2.6 hereof.
"Second Trust Amount"	means the Eternal Second Purchase Price, which amount shall be deposited by the Buyer in the Second Trust Account at the First Closing in accordance with Section 2.6 hereof.
"Sellers"	means Eternal, the First Co-Sellers and the Second Co-Sellers, if any, collectively.
"Tangible Personal Property"	means all machinery, equipment (including, but not limited to, demonstration equipment), tools, furniture, office equipment, computer hardware, supplies, materials, vehicles and other items of tangible personal property (other than Inventories) of every kind owned or leased by Epoch (wherever located and whether or not carried on Epoch's books), together with any express or implied warranty by the manufacturers or sellers or lessors of any item or component part thereof and all maintenance records and other documents relating thereto.
"Tax"	means any income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental, windfall profit, customs, vehicle, or other title or registration, capital stock, franchise, employees' income withholding, foreign or domestic withholding, unemployment, disability, real property, personal property, sales, use, transfer, value added, alternative, add-on minimum and other tax, fee, assessment, levy, tariff, charge or duty of any kind whatsoever and any interest, penalty, addition or additional amount thereon imposed, assessed or collected by or under the authority of any Governmental Body or payable under any tax-sharing agreement or any other similar Contract.

"Third Party"	means a Person that is not a party to this Agreement.
"Total Shares"	means the sum of the First Shares and the Second Shares.
"Total Purchase Price"	means the sum of the First Purchase Price and the Second Purchase Price, the aggregate of which shall not exceed sixty-six-million United States dollars (USD\$66,000,000), subject to the Working Capital Adjustment, if any, provided for in Section 2.2(a)(ii).
"Updated Due Diligence"	means confirmatory or additional due diligence (including, but not limited to (i) detailed due diligence related to formulas, composition information and raw materials constituting any part of Epoch's product and intellectual property portfolios (ii) appraisals of property, plant and equipment, (iii) physical inventories, (iv) additional or subsequent financial information, and (v) employee information).
"USD"	means United States dollars.
"Warranty Period for Environmental Issues"	means the period from signing of this Agreement by the Parties until the date three years after the First Closing Date during which the Representations, Warranties and Covenants under this Agreement with respect to environmental issues are valid and in force.
"Warranty Period for General Matters"	means the period from signing of this Agreement by the Parties until the date three years after the First Closing Date during which the Representations, Warranties and Covenants in this Agreement with respect to all matters other than Taxes, pension and employee benefit matters, and environmental issues shall be valid and in force.
"Warranty Period for Pension and Employee Benefit Matters"	means the period from signing of this Agreement by the Parties until the date three years after the First Closing Date during which the Representations, Warranties and Covenants in this Agreement with respect to all employee benefit matters shall be valid and in force.
"Warranty Period for Taxes"	means the period from signing of this Agreement by the Parties until the later of (i) the date three years after the First Closing Date and (ii) expiration of the statute of limitations applicable to tax years through calendar year 2008 and the period of calendar year 2009 prior to the First Closing Date, during which the Representations, Warranties and Covenants with respect to Taxes under this Agreement are valid and in force.
"Working Capital" and "Working Capital Adjustment"	means as defined in Section 2.2 (a)(ii) and (iii).

- 1.2. Clause and schedule headings do not affect the interpretation of this Agreement. References to clauses, sub-clauses and schedules are to the clauses and sub-clauses of and schedules to this Agreement.
- 1.3. The schedules shall form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement, and any reference to this Agreement shall include the schedules.
- 1.4. Words in the singular include the plural and in the plural include the singular.
- 1.5. A reference to one gender includes a reference to the other gender.
- 1.6. A reference to a law is a reference to it as it is in force for the time being taking account of any amendment, extension, application or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 1.7. Documents in agreed form are documents in the form agreed to by the Parties.

SECTION 2 PURCHASE AND SALE OF SHARES

2.1. Purchase and Sale of Shares

Subject to the terms and conditions of this Agreement, Eternal hereby agrees to sell and transfer and cause the sale and transfer of the Total Shares, including all the rights, privileges, interests, dividends or benefits in association thereof and indirect ownership and controlling interests in the Epoch Assets and Epoch Business to Buyer, and Buyer hereby agrees to purchase, or procure to be purchased, the Total Shares, from Eternal and Non-Eternal Shareholders of Epoch.

Epoch asserts that in its fiscal year 2008 books it has accounted and reserved for in entirety Epoch's obligations regarding its underfunded pensions, profit sharing to employees, obsolete inventory and inventory of below-standard quality, and Epoch's 2008 business income taxes, and Epoch's books prior to First Closing will have accounted for in entirety Epoch's obligations for the disposition of the assets of Old Plant II, and Epoch will satisfy all of these obligations prior to or in accordance with the First Closing or in the Working Capital Adjustment as provided herein; Buyer and Eternal have taken these obligations and the means by which Epoch will satisfy them as provided in this Agreement into account in agreeing upon the Total Purchase Price.

a. Sale of the First Shares

(i) Eternal, subject to applicable closing conditions, hereby agrees to sell and transfer, and cause the First Co-Sellers to sell and transfer, all their respective right, title and interest in and to the First Shares to Buyer, which shall include the 1,000 shares transferred to Buyer pursuant to Section 5.7, and Buyer, subject to applicable closing conditions, hereby agrees to purchase, or procure to be purchased, the First Shares from Eternal and the First Co-Sellers as of the First Closing at a price per share of USD\$1.44325388.

(ii) The Major Co-Sellers, subject to applicable closing conditions, hereby agree to, and cause its respective relatives listed on Schedule 1-2 (A) to, sign the Non-Eternal Share Purchase Agreement to sell and transfer all of their respective right, title and interest in and to their respective Shares to Buyer three business days prior to the First Closing at a price per share of USD\$1.44325388. The parties agree that the obligations under this Section 2.1(a)(ii) are the Major Co-Sellers' sole obligations under this Agreement.

b. Sale of the Second Shares

Eternal, subject to applicable closing conditions, further agrees to sell and transfer, and cause the Second Co-Sellers, if any, to sell and transfer, of all their respective right, title and interest in and to the Second Shares to Buyer, and Buyer, subject to applicable closing conditions, hereby agrees to purchase or procure to be purchased the Second Shares, from Eternal and the Second Co-Sellers, if any, as of the Second Closing at a price per share of USD\$1.44325388.

2.2. Purchase Price of Shares and Working Capital Adjustment

a. First Purchase Price; Working Capital Adjustment

(i) First Purchase Price

As of the First Closing, in consideration for the First Shares, Buyer shall pay to Eternal and each of the First Co-Sellers, either directly to each First Co-Seller or through the agent agreed upon by both parties, respectively according to each Eternal's and each First Co-Seller's instruction, in the form of bank checks or by wire transfer, at the option of Buyer, the First Purchase Price, excluding the security transaction tax to be withheld by Buyer pursuant to Section 2.3 of this Agreement.

(ii) Working Capital Adjustment: Amount and Payment. The "Adjustment Amount" (which may be a positive or negative number) will be equal to Eternal's shareholding percentage in Epoch (i.e., 88.6%) multiplied by the amount ("Difference") determined as follows:

(A) If Closing Working Capital is between NT\$300 million (NT\$300,000,000) and NT\$380 million (NT\$380,000,000), the Adjustment Amount will equal zero and no adjustment of the Eternal First Purchase Price based on the Closing Working Capital shall occur.

(B) If Closing Working Capital is less than NT\$300 million (NT\$300,000,000) or greater than NT\$380 million (NT\$380,000,000), the Eternal First Purchase Price shall be adjusted as follows: (i) if Closing Working Capital is greater than NT\$380 million (NT\$380,000,000), the Difference will equal the amount by which Closing Working Capital exceeds NT\$380 million (NT\$380,000,000) and the Adjustment Amount shall be payable by Buyer by wire transfer to an account designated by Eternal within 10 days after the date that the Closing Working Capital is binding and conclusive on the parties hereto as determined pursuant to Section 2.2(a)(iii), provided that such 10-day period shall be extended to the extent that a foreign investment application has been approved by the competent authority for the adjustment of the Eternal First Purchase Price, below and (ii) if Closing Working Capital is less than NT\$300 million (NT\$300,000,000), the Difference will equal the difference between NT\$300 million (NT\$300,000,000) and the actual Closing Working Capital amount and the Adjustment Amount shall be payable by Eternal by wire transfer to an account designated by Buyer within 10 days after the date that the Closing Working Capital is binding and conclusive on the parties hereto as determined pursuant to Section 2.2(a)(iii) below. By way of example and not limitation, a sample calculation of the Adjustment Amount is attached as Exhibit 2.2(ii) hereto.

(iii) Working Capital Adjustment Procedure.

(A) "Working Capital" as of a given date shall mean the amount of total current assets minus total current liabilities, each as reflected on the balance sheet of the same date.

(B) At least four (4) business days prior to the First Closing Date, but no more than eight (8) business days prior to the First Closing Date, Eternal shall cause Epoch to deliver to Buyer a statement setting forth in good faith the type and value of the Working Capital, estimated as of the First Closing Date (the "Preliminary Working Capital Statement") in a form substantially similar to Exhibit 2.2(iii). Epoch shall keep Buyer reasonably informed with respect to its preparation of the Preliminary Working Capital Statement and, upon request of Buyer, Epoch shall as promptly as practicable make available to Buyer all books, records, work papers, personnel (including their accountants and employees) and other materials and sources used by Epoch in or otherwise reasonably related to the preparation of the Preliminary Working Capital Statement.

(C) Within forty-five (45) days following the First Closing Date, Epoch shall prepare and deliver to Buyer and Eternal the financial statements of Epoch as of the First Closing Date and for the interim period from December 31, 2008 through the First Closing Date on a basis consistent with current accounting practices of Epoch. Buyer and Eternal shall then audit such financial statements (as audited, the "Closing Financial Statements") and determine the Working Capital as of the First Closing Date (the "Closing Working Capital") based upon the Closing Financial Statements. Buyer shall deliver the Closing Financial Statements and its determination of the Closing Working Capital to Eternal within thirty (30) days following its receipt of the Closing Financial Statements from Epoch.

(D) If, within fifteen (15) business days following delivery of the Closing Working Capital calculation to Eternal from Buyer, Eternal has not given Buyer written notice of its objection as to the Closing Working Capital calculation (which notice shall state the basis of Eternal's objection), then the Closing Working Capital calculated by Buyer shall be binding and conclusive on the parties and be used in computing the Adjustment Amount.

(E) If Eternal gives Buyer such notice of objection, and if Eternal and Buyer fail to resolve the issues outstanding with respect to the Closing Financial Statements and the calculation of the Closing Working Capital within thirty (30) days of Buyer's receipt of Eternal's objection notice, Eternal and Buyer shall submit the issues remaining in dispute to an independent public accountant as mutually agreed to (the "Independent Accountants") for resolution applying the principles, policies and practices

referred to in Section 2.2(a)(ii) and this subsection 2.2(a)(iii). If issues are submitted to the Independent Accountants for resolution: (i) Eternal and Buyer shall furnish or cause to be furnished to the Independent Accountants such work papers and other documents and information relating to the disputed issues as the Independent Accountants may request and are reasonably available to that party or its agents and shall be afforded the opportunity, together with the respective independent accountants or auditors, as applicable, of Epoch and Buyer (if different from the Independent Accountants), to present to the Independent Accountants any material relating to the disputed issues and to discuss the issues with the Independent Accountants; (ii) the determination by the Independent Accountants, as set forth in a notice to be delivered to Eternal and Buyer within sixty (60) days of the submission to the Independent Accountants of the issues remaining in dispute, shall be final, binding and conclusive on the parties and shall be used in the calculation of the Closing Working Capital; and (iii) Eternal and Buyer will each bear fifty percent (50%) of the fees and costs of the Independent Accountants for such determination.

b. Second Purchase Price

Subject to Section 2.6, as of the Second Closing, in consideration for the Second Shares, Buyer shall pay to Eternal, and, if any, each of the Second Co-Sellers, either directly to any Second Co-Seller or through the agent agreed upon by both parties, in the form of bank checks or by wire transfer, at the option of Buyer, the Second Purchase Price. The Second Purchase Price shall be paid (i) to Eternal from the Second Trust Account and (ii) to, if any, each of the Second Co-Sellers from the Buyer.

- c. To the extent necessary for obtaining the Governmental Authorizations and with the intent of preventing the incurrence of any additional tax liabilities to Seller, Eternal and each First Co-Seller and each Second Co-Seller, either directly or through an agent, shall sign a document to prove the receipt of the First Purchase Price and Second Purchase Price at the First and Second Closings respectively.

2.3. Taxation and Expenses of Transfer of Shares

All the Taxes, dues or charges as charged or imposed by the tax authority of the ROC on the Contemplated Transactions to each the Buyer, Eternal and each First Co-Seller and Second Co-Seller, respectively, shall be borne by the Buyer, Eternal, and each First Co-Seller and each Second Co-Seller, respectively, to the extent applicable, under the applicable laws.

The applicable security transaction tax on the transfer of the First Shares and Second Shares with respect to the First Purchase Price and Second Purchase Price shall be withheld and paid by Buyer on behalf of the Sellers respectively to the ROC tax authorities no later than three (3) business days immediately after the First and Second Closing Date respectively.

The cost and expenses related to the First Trust Account and the Second Trust Account shall be borne by the Buyer.

2.4 Preparation and Custody of the Share Certificates by Eternal

Upon the execution of this Agreement and at least three business days before the First Closing, Eternal shall and shall cause the First Co-Sellers to provide or cause to provide originals of the share certificates representing the First Shares to Buyer for review. After Buyer's review, Eternal shall seal all the said share certificates and keep them in Eternal's custody to secure the delivery of the First Shares to Buyer at the First Closing.

2.5 First Trust Account

- a. The Parties hereby agree that, as of the First Closing, immediately contemporaneous with the First Purchase Price being paid by the Buyer to Eternal and the First Co-Sellers for the First Shares, the First Trust Amount, which shall be used to secure a part of Buyer's remedies for Eternal's indemnification obligations to the Buyer, pursuant to Sections 6.2 and 8.1 of this Agreement, shall be deposited by Eternal in the form of bank checks or by wire transfer, at Eternal's option, into a trust account established by Buyer and Eternal for the benefit of the Buyer.
- b. In the event of a claim for Indemnity for a Loss (as defined in Section 8.1) pursuant to Sections 6.2 and 8.1 hereof, Buyer shall first give Eternal written notice, which shall include a description of the Loss and an estimate of the amount sought for Indemnity, with substantial evidence of the foregoing. Eternal shall have 30 days to cure or rectify such alleged Breach or Loss to Buyer's reasonable satisfaction. Upon the expiration of the 30 day period, Buyer shall then be entitled to give written notice to the trustee of the amount of such claim for Indemnity for a Loss (as defined in Section 8.1) with a copy to Eternal. The written notice shall include a description of the Loss and an estimate of the amount sought for Indemnity. The trustee shall retain amount sufficient to pay all Losses in trust until such time as the trustee receives (i) a joint written instruction from Buyer and Eternal as to the disposition of the claim for indemnity, (ii) an arbitration award with respect to the claim for indemnity, or (iii) a court order with respect to the claim for indemnity. Except with respect to outstanding claims made by Buyer for indemnity pursuant to Sections 6.2 and 8.1 hereof, if any, all funds remaining in such trust account, including any interest accrued in respect of the First Trust Amount, shall be released on the date 18 months after the First Closing to Eternal, or at such other time as may be agreed by the Parties in writing (provided, however, that prior to such release date, the interest accrued in such account shall be available for payment of indemnification pursuant to Sections 6.2 and 8.1 hereof).
- c. To effect the Trust Amount being held by a trustee for the benefits of Buyer as above mentioned, Eternal and Buyer shall jointly appoint a trustee which shall be a bank duly licensed to engage in trust business and shall enter into a trust agreement with the appointed trustee.
- d. For the purpose of the application of the foreign investment approvals under the Statute of Investment by Foreign Nationals ("FIA"), Epoch and/or Eternal, as the case may be, shall provide necessary assistance to the Buyer for the FIA application, and Eternal shall issue the documentation as may be required by the Administration Bureau of Southern Taiwan Science Park to prove the receipt of the First Purchase Price by Eternal as of the First Closing Date.

2.6 Second Trust Account

The Parties hereby agree that, as of the First Closing, (i) the Second Trust Amount, to satisfy a security of the payment of the Eternal Second Purchase Price payable by the Buyer to Eternal as of the Second Closing and in exchange for Eternal's deposit of the Eternal Second Shares in the escrow account subject to Section 3.2(i), shall be deposited by the Buyer into the Second Trust Account established by the Buyer for the benefit of

Eternal, and (ii) Eternal shall deposit the Eternal Second Shares in an escrow account established by Eternal for the benefit of Buyer to secure Eternal's contractual undertaking on the sale of the Eternal Second Shares under Section 2.1(b) of this Agreement. Any interest accrued in the Second Trust Account in respect of the Second Trust Amount shall belong to Eternal. Any dividends distributed in respect of the Eternal Second Shares shall belong to Buyer.

Subject to Section 4.2 and 4.3, the Second Trust Amount, together with any interest accrued, and the Eternal Second Shares shall be simultaneously released to Eternal and the Buyer, respectively, as of the Second Closing Date. Buyer and Eternal shall give joint written notice to the trustee for the release of the Second Trust Amount and any interest accrued and to the escrow agent for the release of the Eternal Second Shares.

For the purpose of the application of the FIA, Epoch and/or Eternal, as the case may be, shall provide necessary assistance to the Buyer for the FIA application, and Eternal shall issue the documentation as may be required by the Administration Bureau of Southern Taiwan Science Park to prove the receipt of the Eternal Second Purchase Price by Eternal on the Second Closing Date.

SECTION 3 THE CLOSINGS

3.1. The Closings

a. The First Closing

The closing of the First Transaction contemplated herein (hereinafter referred to as "**First Closing**") shall occur at the office of Epoch located at no. 2, Luke 8th Road, Kaohsiung Science Park, Lu-Chuh Hsiang, Kaohsiung County, Taiwan 82151, ROC on February 15, 2009, subject to receiving necessary regulatory approvals (the "**First Closing Date**"), or any other date and/or any other location agreed between the Parties, provided all the conditions precedent under Sections 4.1 and 4.3 have been fulfilled and satisfied.

b. The Second Closing

The closing of the Second Transaction contemplated herein (hereinafter referred to as "**Second Closing**") shall occur at the office of Epoch located at no. 2, Luke 8th Road, Kaohsiung Science Park, Lu-Chuh Hsiang, Kaohsiung County, Taiwan 82151, ROC eighteen (18) months after the First Closing Date (the "**Second Closing Date**"), or any other location agreed between the Parties, provided all the conditions precedent under Sections 4.2 and 4.3 have been fulfilled and satisfied.

3.2. Actions at the First Closing

The following actions shall occur at or prior to the First Closing:

With respect to transfer of the First Shares of Epoch:

- a. Eternal shall deliver, and cause the First Co-Sellers to deliver, to Buyer the share certificates representing the First Shares of Epoch less the 1,000 shares transferred to Buyer pursuant to Section 5.7, duly endorsed and shall provide Buyer with the documents in **Schedule 5** attached to this Agreement. Notwithstanding the foregoing, it is understood by the Parties that one or more Non-Eternal Shareholders, holding in the aggregate no more than 0.5% of the total issued and outstanding capital stock of Epoch, may fail to be located by Eternal or may fail to execute Non-Eternal Share Purchase Agreements with Buyer and therefore may fail to deliver their shares as First Shares at the First Closing. In that event, Eternal shall sell such additional shares as First Shares to Buyer as may be necessary to transfer 90% of the issued and outstanding shares of Epoch to Buyer at the First Closing.
- b. Eternal shall cooperate with and help Buyer to record the name and address of Buyer in the roster of shareholders of Epoch to effect the transfer of ownership of the First Shares from the First Co-Sellers and Eternal to Buyer.
- c. Eternal shall provide or cause to be provided and deliver to Buyer the resignation letters from each of the directors and supervisors of Epoch, to take effect on the First Closing Date. In addition, Eternal shall provide or cause to be provided and deliver to Buyer, from each executive officer listed on **Schedule 4** hereof, a certificate of such officers acknowledging that they have no outstanding claims, whether for compensation for loss of office or otherwise howsoever, against Epoch.
- d. Eternal shall provide or cause to be provided and deliver to Buyer Epoch's corporate seals, permits, licenses, books, check books of Epoch as necessary for or in relation to the operations of Epoch as provided in **Schedule 5**, and cause appropriate changes to the authorized signatories of Epoch in any bank account or banking relationship as directed by Buyer.
- e. Buyer shall pay to Eternal, and each of the First Co-Sellers, either directly to any First Co-Seller or through the agent agreed upon by both parties, the First Purchase Price excluding the applicable security transaction tax to be withheld by Buyer.
- f. Buyer shall pay the applicable security transaction tax, solely from the withholding described above, to the ROC tax authority and provide the tax receipt to Eternal and each of the First Co-Sellers, as required.
- g. Epoch shall enter into two (2) year mandate or employment agreements, including a three (3) year non-competition obligation following any termination of employment in favor of the CMC Group and intellectual property assignment and protection terms, as set forth in Attachment B for respective each key personnel or employees identified on **Schedule 7**.
- h. Buyer shall deliver a corporate guarantee issued by Cabot Microelectronics Corporation guaranteeing Buyer's payment of the Total Purchase Price in the form and substance reasonably satisfactory to Eternal and Buyer, which guarantee shall provide that (i) upon payment or satisfaction of the First Purchase Price, the guaranteed amount shall automatically be reduced to, and limited to, the Second Purchase Price amount and (ii) upon payment or satisfaction of the Second Purchase Price, the guarantee shall automatically terminate and be of no further force or effect.

- i. In accordance with Section 2.6 hereof, Eternal shall deposit the Eternal Second Shares in the escrow account with the same the appointed trustee pursuant to Sections 2.5 and 2.6, in favor of Buyer to secure its contractual undertaking on sales of the Eternal Second Shares under Section 2.1(b) of this Agreement. Eternal shall pre-endorse on the reverse sides of the share certificates of Eternal Second Shares for the share transfer, with the date of the share transfer in blank, and shall authorize Buyer to effectuate and register the share transfer to Buyer as of the Second Closing. Eternal shall further deliver a waiver to Buyer waiving its rights to any dividend distributions made on the Second Shares after the First Closing.
- j. Notwithstanding the foregoing, any Non-Eternal Shareholders who fail to deliver their shares at the First Closing as contemplated in Section 3.2 (a) above may deliver their shares at the Second Closing as provided in Section 4.2(c) below, provided, however, that such Non-Eternal Shareholders will hold in the aggregate no more than 0.5% of the total issued and outstanding capital stock of Epoch. Such Non-Eternal Shareholders shall be referred to herein as "Second Co-Sellers".

3.3. Actions at the Second Closing

The following actions shall occur at or prior to the Second Closing:

With respect to transfer of the Second Shares in Epoch:

- a. Eternal shall authorize Buyer to effect the share transfer of the Second Shares subject to Section 3.2 (i) and cause the Second Co-Sellers, if any, to deliver to Buyer the share certificates representing the Second Shares duly endorsed by the Second Co-Sellers and shall provide Buyer with the documents as listed in **Schedule 5** attached to this Agreement.
- b. Buyer shall pay to Eternal (solely through release of the Second Trust Amount from escrow as set forth in Section 2.6) and, if any, each of the Second Co-Sellers, either directly to any Second Co-Seller or through the agent agreed upon by both parties, the Second Purchase Price excluding the applicable security transaction tax to be withheld by Buyer.
- c. Buyer shall pay the applicable security transaction tax, solely from the withholding described above, to the ROC tax authority and provide the tax receipt to Eternal and each of the Second Co-Sellers, if any.

SECTION 4 CONDITIONS PRECEDENT TO THE CLOSINGS

4.1. Conditions Precedent to the Performance by Buyer of Its Obligations for the First Closing

The obligations of Buyer to purchase or cause to purchase the First Shares, and indirect ownership and interests of the Epoch Business and Epoch Assets at the First Closing (and to consummate the Contemplated Transaction), shall be subject to the prior satisfaction of all the following conditions to the reasonable satisfaction of Buyer, unless waived in writing by Buyer at its sole discretion; provided, however, Buyer shall not be relieved of its obligation to purchase or cause to purchase the First Shares if the failure of the satisfaction of a condition set forth in Section 4.1 (l) and (m) is directly, solely and specifically attributable to Buyer in Buyer's reasonable determination (as supported by the assessment of an independent third party chosen by the Parties):

- a. The representations and warranties made by Eternal and Epoch as specified in **Schedule 2.A** shall be true and correct as of the date hereof in all material respects, and on and as of the First Closing Date as if such representations and warranties were made on and as of such date, and Eternal, the Major Co-Sellers and Epoch shall have materially satisfied all conditions and performed all duties, covenants and agreements which Eternal and Epoch are required hereunder to satisfy and to perform as of the First Closing Date;
- b. Buyer, however, reserves the right to waive any of the Representations and Warranties of Eternal and Epoch and to consummate the Contemplated Transaction under this Agreement. At or prior to the First Closing, there shall have been delivered to Buyer (1) a certificate of Eternal and Epoch, in form and substance reasonably satisfactory to Buyer, as to the matters set forth in clause (a) above, (2) a certificate of the chief executive officer of Epoch and the chief financial officer of Epoch, in form and substance satisfactory to Buyer, as to the matters set forth in **Schedule 9**, and (3) an opinion of Epoch's counsel, in form and substance reasonable satisfactory to Buyer, with regard to the matters set forth in **Schedule 10**;

- c. At or prior to the First Closing, there shall have been delivered to Buyer a statement of opinion of the independent auditor of Epoch and (ii) audited financial statements as of December 31, 2008 to the extent practicable, and to the extent that the audited financial statements as of December 31, 2008 are not available at or prior to the First Closing, unaudited financial statements as of December 31, 2008 (with audited financial statements for such period provided as soon as reasonably practicable), both in form reasonably satisfactory to Buyer;
- d. The Non-Eternal Share Purchase Agreement(s) in the form and substance as attached in Attachment C shall have been signed by the First Co-Sellers three business days prior to the First Closing Date, wherein the number of shares to be transferred by such shareholders in the First Closing, along with Eternal, will in the aggregate constitute the First Shares and the closing of the transaction under the Non-Eternal Share Purchase Agreement(s) has been completed prior to, or occurs simultaneously, as of the Closing of the First Transaction hereunder. Notwithstanding the foregoing, it is understood by the Parties that one or more Non-Eternal Shareholders, holding in the aggregate no more than 0.5% of the total issued and outstanding capital stock of Epoch, may fail to be located by Eternal or may fail to execute share purchase agreements with Buyer and therefore may fail to deliver their shares as First Shares at the First Closing. In that event, Eternal shall sell such additional shares as First Shares to Buyer as may be necessary to transfer 90% of the issued and outstanding shares of Epoch to Buyer at the First Closing.
- e. On and as of the date of the First Closing, neither Eternal nor Epoch shall be a party or subject to any, Contract, law, statute, ordinance, Order, rule, regulation, Consent or other requirement which would prevent Eternal from selling the Eternal First Shares and Eternal Second Shares, or prevent the control, ownership or operation by Buyer and/or its affiliates of the business or substantially all of the properties and assets of Epoch, the Epoch Assets and the Epoch Business.
- f. During the period between the execution of this Agreement and through the First Closing Date, there shall not have occurred or arisen any Material Adverse Effect; provided, however, that such Material Adverse Effect does not include a Material Adverse Effect that arises directly from matters arising under Section 5.1(c) for which Buyer had provided written consent pursuant thereto.
- g. On or prior to the First Closing Date, this Agreement, and each other material instrument and document set forth on **Schedule 5**, shall have been executed and delivered to Buyer by Eternal and Epoch, as the case may be, and each such agreement shall be in full force and effect as of the First Closing, and Eternal and Epoch, as the case may be, shall be in material compliance with all of the respective material provisions hereof and thereof.
- h. All Governmental Authorizations, of all applicable Governmental Bodies, including foreign investment approvals under the Statute of Investment by Foreign Nationals, Fair Trade Act of the ROC for the combination, and other related laws and regulations of the ROC, as well as the relevant Governmental Authorizations under the anti-trust laws and regulations in other jurisdictions required to be obtained in order to permit the consummation of the First Transaction contemplated by this Agreement (including securities laws and regulations affecting the sale of the First Shares from Eternal to Buyer), and to permit the business presently carried on by Epoch to continue unimpaired immediately following the First Closing, shall have been obtained and be in full force and effect, and all other Legal Requirements for the valid consummation by the Parties hereto of the Contemplated Transaction shall have been satisfied.
- i. No action or Proceeding shall have been instituted, or substantially likely to the Knowledge of Eternal or Epoch to be instituted, and, at the time of the First Closing, be pending before any Governmental Body which would restrain or prohibit, withhold any authorization for, or seek damages with respect to, any Contemplated Transaction, nor shall any Governmental Body have notified any Party to this Agreement that the consummation of the Contemplated Transaction shall constitute a Conflict, a violation of any applicable laws, or any agency or political subdivision thereof, or that it intends to commence proceedings to restrain the consummation of any Contemplated Transaction, or to force divestiture, unless such Governmental Body shall have withdrawn such notice prior to the time of the First Closing.
- j. Two (2) year mandate or employment agreements with the Persons identified on **Schedule 7** substantially in the form and substance as provided in Attachment B shall have been mutually agreed between Epoch and each Person who is a party to such agreements, and executed concurrently with the First Closing. Such agreements shall include intellectual property assignment and protection and non-competition obligations in favor of the CMC Group during the applicable period of employment term plus three (3) years after employment.
- k. At or prior to the First Closing, Eternal shall deliver to Buyer: (i) the audited report for Epoch for the year[s] ended December 31, 2007, and to the extent practicable, December 31, 2008; and, (ii), to the extent the audited report for the year ended December 31, 2008 is not available, interim unaudited financial statements as at and for the nine month period ended September 30, 2008, including a balance sheet, an income statement, and a statement of sources and uses of cash, as well as monthly financial statements for October, November, and December, 2008 (with audited financial statements for such period provided as soon as reasonably practicable).

- l. To the extent owned by Eternal, Eternal shall have entered into a license agreement (not including any technical services/support) with Epoch and Buyer with commercially reasonable terms solely for the unlimited internal use by Buyer (solely for assisting Epoch's operations) and Epoch within Taiwan with respect to Epoch's EIS/MIS system applications currently used by Epoch that are necessary to operate the Epoch Assets or Epoch Business, including but not limited to source code for Epoch's EIS/MIS system with such license to be fully paid up, irrevocable and perpetual.
- m. Subject to Section 5.10, Eternal shall have entered into a license agreement with Epoch and Buyer in form and substance reasonably satisfactory to Buyer and Eternal with respect to the use of any trade name or trademark currently used by Epoch that contains the name or mark of "Eternal" and is owned by Eternal, only through the period of six months following the Second Closing, with an exception for any Eternal trade names or marks that would cause disruption to or non-qualification by Epoch's customers, for which license to such will continue through the time at which Epoch is able to reasonably and without cost effect a change to such name or mark. Such license shall be fully paid up and irrevocable.
- n. To the extent required and except for [***], Epoch shall have obtained all Consents necessary to maintain material Contracts to which Epoch is a party that may be required by the Contemplated Transactions.
- o. During the period between the execution of this Agreement and at least five (5) business days prior to the First Closing Date, Epoch shall have fully funded (but not distributed) any and all underfunded pension obligations, so that Epoch will have no obligation for unfunded or underfunded pension obligations to employees incurred prior to the First Closing, and shall have provided written evidence of such funding to Buyer at or prior to the First Closing.
- p. During the period between the execution of this Agreement and the First Closing Date, Epoch shall have disposed of all assets related to Old Plant II and fully paid for their disposal, at fair value in an arm's length transaction, and appropriately accounted for any associated impairment and disposition so that Epoch will have no outstanding or unaccounted for obligations, impairments or accruals related to Old Plant II as of the First Closing.
- q. Subject to Section 5.7 and Buyer's agreement to pay Eternal the purchase price for the 1,000 shares at the First Closing, Eternal shall transfer one thousand shares to the Buyer and cause Epoch to register the Buyer as a shareholder of Epoch at any day before 16 days of the First Closing Date; Eternal shall further cause Epoch to convene a special shareholders meeting to elect Buyer's representatives as new directors and supervisor of Epoch prior to the First Closing.
- r. Subject to Section 5.1(d), each of Eternal and Epoch shall waive its rights under the Consent Letters (as hereinafter defined).
- s. The First Shares and the Eternal Second Shares shall together constitute not less than 99.5% of the shares of the issued and outstanding capital stack of Epoch.

4.2. Conditions Precedent to the Performance by Buyer of its Obligations for the Second Closing

The obligations of Buyer to purchase or cause to purchase the Second Shares shall be subject to the prior satisfaction of all the following conditions[], unless waived in writing by Buyer at its sole discretion; provided, however, Buyer shall not be relieved of its obligation to purchase or cause to purchase the Second Shares if the failure of the fulfillment of any of the following conditions is due to causes attributable to Buyer:

- a. The representations and warranties made by Eternal as specified in **Schedule 2.B** shall be true and correct in all material respects as of the date hereof, and on and as of the Second Closing Date as if such representations and warranties were made on and as of such date, and Eternal shall have satisfied all conditions and performed all duties, covenants and agreements which Eternal is required hereunder to satisfy and to perform as of the Second Closing Date.
- b. On and as of the Second Closing Date, Eternal shall not be a party or subject to any, Contract, law, statute, ordinance, Order, rule, regulation, Consent or other Legal Requirement which would prevent Eternal from selling the Eternal Second Shares.
- c. On or prior to the Second Closing Date, this Agreement, and each other material instrument and document contemplated hereby, shall have been executed and delivered to Buyer by Eternal or Epoch, as the case may be, and each such agreement shall be in full force and effect as of the Second Closing, and Eternal or Epoch, as the case may be, shall be in material compliance with all of the respective material provisions hereof and thereof.
- d. Eternal shall have caused the signing of the Non-Eternal Share Purchase Agreement(s) substantially in the form and substance as attached in Attachment C by the Second Co-Sellers, if any, before the Second Closing Date.
- e. All Governmental Authorizations of all applicable Governmental Bodies, including foreign investment approvals under the Statute of Investment by Foreign Nationals, and other related laws and regulations of the ROC, as well as the relevant Governmental Authorizations under the anti-trust laws and regulations in other jurisdictions required to be obtained in order to permit the consummation of the Second Transaction contemplated by this Agreement (including securities laws and regulations affecting the sale of the Second Shares from Eternal to Buyer), shall have been obtained and be in full force and effect, and all other Legal Requirements for the valid consummation by the Parties hereto of the Contemplated Transaction shall have been satisfied.
- f. No action or Proceeding shall have been instituted and, at the time of the Second Closing, be pending before any Governmental Body which would restrain or prohibit, withhold any authorization for, or seek damages with respect to, any Contemplated Transaction, nor shall there be any substantial likelihood that any such action or proceeding shall be instituted, nor shall any Governmental Body have notified any Party to this Agreement that the consummation of the Contemplated Transaction shall constitute a Conflict, a violation of any applicable laws, or any agency or political subdivision thereof, or that it intends to commence proceedings to restrain the consummation of any Contemplated Transaction, or to force divestiture, unless such Governmental Body shall have withdrawn such notice prior to the time of the Second Closing.

4.3. Conditions Precedent to the Performance by Eternal of its Obligations

The obligations of Eternal to sell and transfer, or cause to sell and transfer, the First Shares and Second Shares and the obligations of Eternal to perform this Agreement according to its terms, shall be subject to the prior satisfaction of all the following conditions, unless waived in writing by Eternal at its sole discretion:

- a. The representations and warranties made by Buyer herein shall be true and correct in all material respects as of the date hereof, and on and as of any dates of the Closings as if such representations and warranties were made on and as of such dates, and Buyer shall have satisfied all conditions and performed all duties and covenants and agreements which Buyer is required hereunder to satisfy and to perform as of any dates of the Closings.
- b. All corporate and other procedures to be undertaken by Buyer in connection with the Contemplated Transaction, and all documents and instruments incident thereto shall be in form and substance satisfactory to Eternal and Eternal's counsel, and Eternal and Eternal's counsel shall have received all such counterpart originals or certificates or other copies of such documents as they may reasonably request.
- c. All Governmental Authorizations, of all applicable Governmental Bodies, including foreign investment approvals under the Statute of Investment by Foreign Nationals, Fair Trade Act of the ROC for the combination, if applicable and other related laws and regulations of the ROC, as well as the relevant Governmental Authorizations under the anti-trust laws and regulations in other jurisdictions required to be obtained in order to permit the consummation of the Contemplated Transactions (including securities laws and regulations affecting the sale of the respective First Shares and Second Shares from Eternal to Buyer), and shall have been obtained and be in full force and effect, and all other Legal Requirements for the valid consummation by the Parties hereto of the Contemplated Transaction shall have been satisfied.

- d. No action or Proceeding shall have been instituted and, at the time of the respective Closing, be pending before any Governmental Body which would restrain or prohibit, withhold any authorization for, or seek damages with respect to, any Contemplated Transaction, nor shall any Governmental Body have notified any Party to this Agreement that the consummation of the Contemplated Transaction shall constitute a Conflict, a violation of any applicable laws, or any agency or political subdivision thereof, or that it intends to commence proceedings to restrain the consummation of any Contemplated Transaction, or to force divestiture, unless such Governmental Body shall have withdrawn such notice prior to the time of the respective Closing.
- e. Buyer shall have obtained a corporate guarantee issued by Cabot Microelectronics Corporation in favor of Eternal guaranteeing Buyer's payment of the Total Purchase Price in a form and substance reasonably satisfactory to Eternal and Buyer, which guarantee shall provide that (i) upon payment or satisfaction of the First Purchase Price, the guaranteed amount shall automatically be reduced to, and limited to, the Second Purchase Price amount and (ii) upon payment or satisfaction of the Second Purchase Price, the guarantee shall automatically terminate and be of no further force or effect.

SECTION 5 CONDUCT BETWEEN SIGNING AND CLOSINGS

5.1. Investigations and Operations of the Business of Epoch

Between the date of this Agreement and the date of the First Closing, Eternal and Epoch each shall, and shall cause the officers and directors of Epoch to, regularly consult with Buyer as to, and cooperate with Buyer's reasonable requests for information regarding the operation of Epoch's business, and Eternal and Epoch agree to cause the following (unless otherwise set forth in this Agreement):

- a. Buyer and each of its accounting and legal representatives and agents shall be granted reasonable access to all premises and books and records of Epoch, provided that Buyer gives Epoch at least 48 hours written notice, and Epoch and Eternal shall cause the officers of Epoch to promptly furnish Buyer with such financial and operating data and other information with respect to Epoch, as Buyer may from time to time reasonably request; provided, however, that any such investigation shall be conducted in such a manner so as not to interfere unreasonably with the business operations of Epoch. In addition, the Parties hereto will take all such other steps as are necessary to protect the confidentiality of such material as provided in Section 5.4 hereof.
- b. Except for the transfer of those employees or officers that Buyer has decided not to retain after the First Closing, Epoch and Eternal shall use best efforts to preserve substantially intact the business organization of Epoch and to keep available the services of the present officers and employees of Epoch, and preserve the present relationships of Epoch, with principal customers, suppliers and other commercial counterparties. Lists of the present officers of Epoch and the present principal customers, suppliers and other commercial counterparties of Epoch are attached hereto as Schedule 6.

- c. Except for those matters specified in this Agreement, including but not limited to, the disposal of the assets of an Old Plant II, any profit sharing (cash) in accordance with Schedule 2-4, any distribution of any retained undistributed earnings, the full funding of the underfunded pension obligation, and any matter specifically consented to in writing by Buyer, Epoch and Eternal have caused and shall cause Epoch to be operated as a company only in the Ordinary Course of Business. Without limiting the generality of the foregoing, Epoch and Eternal shall not, without obtaining the prior written Consent of Buyer, which shall be timely given in light of the applicable circumstances and shall not be unreasonably withheld, (except for those matters specified in this Agreement, including but not limited to, any profit sharing (cash) in accordance with Schedule 2-4, any distribution of any retained undistributed profits, the full funding of the underfunded pension obligation, and any matter specifically consented to in writing by Buyer) cause or permit Epoch to:
- (1) Issue or agree to issue any additional equity securities or debt securities; or
 - (2) Grant or agree to grant any option, warrant or other right to subscribe for or purchase or otherwise acquire any equity securities, or issue or agree to issue any securities convertible into or exchangeable for any equity securities; or
 - (3) Directly or indirectly redeem, purchase or otherwise acquire or agree to acquire any equity securities, other than as contemplated by this Agreement; or
 - (4) Effect a split, combination or reclassification of any equity securities of or a recapitalization; or change, amend or modify the Articles of Incorporation or other governing instruments (except as contemplated hereby); or
 - (5) Borrow or agree to borrow any funds through loans or otherwise, or guaranty or agree to guaranty the obligations of others or incur any material obligations, but Buyer's prior written Consent shall not be unreasonably withheld with respect to such borrowing as are necessary in the Ordinary Course of Business; or
 - (6) Make any distribution of dividends or payment to Eternal or any entity controlled by Eternal or make any distribution of dividends to any other Party; or
 - (7) Sell, Lease, dispose or Encumber its assets or property except in the Ordinary Course of Business; or
 - (8) Retain or increase the compensation of any employee or agent whose aggregate compensation (except for those specified in Schedule 2-4 reasonably agreed to by Buyer) would exceed NT\$ 500,000 per annum; or
 - (9) Enter into any employment Contract with a term of more than six-months or without a term; or
 - (10) Enter into any consulting Contract, except in the Ordinary Course of Business; or
 - (11) License or transfer or enter into any Contract to license or transfer trademarks, copyrights or any other intellectual property, other than purchases and licensing of commercial software in the Ordinary Course of Business; or
 - (12) Change of the corporate name; or
 - (13) Enter into voluntary winding-up process; or
 - (14) Reduce share capital; or
 - (15) Fail to maintain the existing insurance coverage; or
 - (16) Pass any shareholders resolutions; or
 - (17) Incur any capital commitment or create any security interest over assets, other than the planned capital commitments listed in **Schedule 8**; or
 - (18) Declare dividends or any other benefits or earnings from the retained earnings of Epoch as of the end of 2008; or
 - (19) Commit to any other material contractual or contingent obligation over NT\$500,000; or
 - (20) Fail to maintain a level of working capital consistent with the Ordinary Course of Business.

- d. Prior to the First Closing, for the purpose of Buyer's share purchase hereunder, Eternal shall waive any and all of its rights, including purchase rights and/or rights of first refusal, as the case may be, to purchase any shares held by the First Co-Sellers and Second Co-Sellers during or after the lock-up period pursuant to the Consent Letter of Custody of Share Certificates and Consent Letter of Share Sale and Purchase, which were executed by the First Co-Sellers and Second Co-Sellers ("Consent Letters"). Eternal shall further cause Epoch to waive any and all of its rights under the Consent Letters and agree that the First Co-Sellers and Second Co-Sellers who executed the Consent Letters are free to sell his/her shares to Buyer as of the First Closing Date.

5.2. Governmental Authorization

Prior to the Closings, Buyer shall at Buyer's cost, and Eternal shall provide all reasonable assistance to Buyer at Eternal's cost, take all actions and execute all documents and instruments as are necessary to:

- (a) Prepare and file, or cause to be prepared and filed, all necessary applications for Governmental Authorization to the Contemplated Transaction (and other materials in connection therewith required to be filed by Buyer, Eternal and Epoch), as the case may be, by any and all applicable Governmental Bodies having jurisdiction under the circumstances, including any antitrust filings to be filed by Buyer in the ROC, if applicable;
- (b) Prosecute, or cause to be prosecuted, such applications with diligence;
- (c) Diligently oppose, or cause to be diligently opposed, any objections to, appeals from, or petitions to reconsider any such Consent;
- (d) Take all such further action as may reasonably be necessary to obtain the appropriate orders approving such transactions; and
- (e) All Parties shall cooperate with each other for obtaining such Governmental Authorization and Consent.

5.3. Notice of Events Prior to the Closings

- (a) Each Party hereto shall give prompt written notice to each other Party of the occurrence or nonoccurrence of any event, the occurrence or nonoccurrence of which would cause any representation or warranty of the notifying Party to be untrue if such representation were to be made at the time of the occurrence or nonoccurrence of such event, and the notifying Party shall use its best efforts to remedy the same.
- (b) Eternal and Epoch shall give prompt written notice to Buyer of all suits, actions, governmental investigations and legal, administrative, arbitration and other Proceedings, and all other controversies, which arise or are commenced by or against Epoch, or are threatened by or, to the best of its Knowledge, against Epoch after the date of this Agreement.

5.4. Confidentiality of Information

Eternal, Epoch and Buyer agree to keep confidential the contents of this Agreement and any information in connection with the Contemplated Transactions, including but not limited to Letter Agreement dated June 7, 2006, and Amendment No. 1 dated June 17, 2008, entered into by and among the CMC Group, Epoch and Eternal and the Preliminary, Non-binding Draft Indication of Interest, issued by the CMC Group on October 12, 2008 and acknowledgment of the receipt of T.F. Shiao on behalf of Epoch and Eternal on October 13, 2008. Unless otherwise required by applicable law, neither Eternal, Epoch nor the Buyer shall disclose any part of this Agreement without a prior written Consent of the other Parties; provided, however, Eternal, Epoch or Buyer may disclose the contents of this Agreement to a reasonable extent in order to exercise or protect its rights under this Agreement or to make applicable regulatory filings and disclosures. Notwithstanding any provision to the contrary, Buyer shall have the right to use and disclose the information and data of Epoch after the First Closing Date.

5.5. Best Efforts

Each of Buyer, Epoch and Eternal shall use its best efforts and proceed with all diligence to cause the conditions specified in Section 4 hereof to be satisfied at or prior to the applicable Closings.

5.6. Distribution Agreement

Between the date of this Agreement and the First Closing Date, Buyer and Eternal shall discuss in good faith to conclude a distributorship agreement, with the intent for such agreement to be entered into by and between Epoch and Eternal on the First Closing Date, which enables Eternal, or an affiliate of Eternal reasonably acceptable to Buyer, to serve as a regionally exclusive distributor in Taiwan and the PRC, for Epoch's LCD manufacturing applications products sold or under development as of the date of this Agreement, including but not limited to liquid crystal display slurry and clean products ("Distribution Agreement").

5.7. Pre-Closing Share Transfer and Election of New Directors and Supervisors

Between the date of this Agreement and the First Closing Date, Eternal shall transfer one thousand shares to Buyer and cause Epoch to register Buyer as a shareholder of Epoch at any day prior to 16 days in advance of the First Closing Date. Prior to the First Closing Date or immediately before the First Closing on the First Closing Date, Eternal shall cause Epoch to convene a special shareholders meeting to elect one of Buyer's representatives as new directors and supervisors of Epoch.

5.8. Updated Due Diligence

Buyer shall be entitled to perform Updated Due Diligence prior to the First Closing Date hereof.

5.9. IP Assignment Agreement

Epoch and Eternal shall enter into an intellectual property assignment agreement on the First Closing Date substantially in the form and substance reasonably satisfactory to Eternal and Buyer, wherein Epoch shall assign fifty percent (50%) of the rights related to the patents application of 3D TSV, which has been filed by Epoch, to Eternal (or its designee) and agree that each party may freely exercise such rights as a whole without obtaining consent from, and without accounting to, the other. Epoch and Eternal shall enter into an intellectual property assignment agreement on the First Closing Date substantially in the form and substance reasonably satisfactory to Eternal and Buyer, wherein Epoch shall assign one-hundred percent (100%) of the rights related to the patents application of 3D wire bond, which has been filed by Epoch, to Eternal (or its designee).

5.10. Trademark Assignment Agreement

Buyer, Epoch, and Eternal shall enter into a trademark assignment agreement on the First Closing Date substantially in the form and substance reasonably satisfactory to Eternal and Buyer, wherein Buyer and Epoch agree that Epoch shall assign the trademarks which include the word "Eternal" to Eternal or its designee.

5.11. Directors' and Officers' Insurance

Epoch shall use good faith efforts to have purchased "run-off" directors and officers insurance for the three-year period following the First Closing Date covering directors and officers of Epoch who served prior to the First Closing Date.

5.12. Non-Competition Undertaking

Eternal and Epoch shall cause each of Mr. T.F. Shiao and Mr. Shun-Ren Huang to respectively sign an undertaking on or prior to the First Closing Date that he does not own, or has owned, of record, or as a beneficial owner, an equity interest or any other financial or profit interest in any Person that has engaged in competition with Epoch with respect to any line of the products or services of Epoch, except for passive ownership of less than one percent (1%) of the outstanding capital stock of any publicly traded company.

SECTION 6 REPRESENTATIONS, WARRANTIES AND COVENANTS OF ETERNAL ANDEPOCH

- 6.1. Except as otherwise set forth in the schedules, or as otherwise approved in writing by Buyer, Eternal and Epoch hereby represent, warrant and covenant to Buyer as follows:

The Representations, Warranties and Covenants of Eternal and Epoch with respect to transfer of the Eternal First Shares and Eternal Second Shares, the Epoch Business and the Epoch Assets as set out in **Schedule 2** are effective and valid during the applicable Warranty Period.

- 6.2. Subject to Section 2.5 hereof, Buyer may use the Trust Amount to offset any claims (or parts of any claims) that Buyer may have against Eternal under this Agreement, the amount of any such Liability shall not be limited to the Trust Amount.

SECTION 7 REPRESENTATIONS AND WARRANTIES OF BUYER

The Representations, Warranties and Covenants of Buyer as set out in **Schedule 3** are effective and valid for the applicable Warranty Period.

SECTION 8 INDEMNIFICATION

8.1. Indemnification by Eternal

Eternal shall indemnify and hold harmless ("**Indemnify**") Buyer, from and against all losses and Liabilities (including reasonable attorneys' fees and other expenses), (each, a "**Loss**") awarded by an applicable court, arbitration tribunal, or other body to have occurred from (i) a Breach by Eternal or Epoch of any of the Representations, Warranties, Covenants, and Indemnities set forth in **Schedule 2** or in any agreement or instrument delivered by Eternal or Epoch in connection with this Agreement; (ii) any and all Losses related to [***]; and (iii) any material third-party claim unasserted as of the First Closing Date but relating to events occurring prior to the First Closing Date, and relating to events prior to the Second Closing Date for a Breach by Eternal of any of the Representations and Warranties, Covenants, Indemnities set forth in **Schedule 2.B**. For the purpose of this Agreement, Loss sustained by Epoch from any Breach by Eternal of any Representations, Warranties, Covenants, and Indemnities set forth in **Schedule 2** or in any agreement or instrument and delivered by Eternal in connection with this Agreement shall be deemed as the Loss of Buyer; provided, however, that Eternal shall have no obligation to Indemnify Buyer against Losses under this Section 8.1 until Buyer has suffered such Losses in excess of USD\$100,000 after which point Eternal shall be obligated to Indemnify Buyer from and against all such Losses, including the first USD\$100,000 of such Losses under this Section 8.1; provided further, that notwithstanding the preceding clause or any disclosure under the Schedule of Exceptions or elsewhere, any Losses suffered by Buyer by reason of [***] shall not be subject to the prior clause but instead shall be indemnifiable independently and in addition to such limitation from the first dollar of Loss.

8.2. Indemnification by Buyer

Buyer shall indemnify Eternal from and against all Losses incurred directly or indirectly from any breach by Buyer of any of its Representations, Warranties and Covenants, or any instrument delivered by Buyer in connection with this Agreement.

8.3. Claims for Indemnification

In the event of the occurrence of any event which either Party asserts is an indemnifiable event pursuant to this Section 8, such Party shall notify the indemnifying Party promptly and, if such event involves the claims of any Third Party, the indemnifying Party shall have the right to have sole control over, and shall assume all expense with respect to, the defense, settlement, adjustment or compromise of any claims as to which this Section 8 requires it to indemnify the other Party, provided that (i) the indemnified Party may, if it so desires, employ counsel at its own expense to assist in the handling of such claims and (ii) the indemnified Party shall obtain the prior written approval of the indemnifying Party, which shall not be unreasonably withheld, before entering into any settlement, adjustment or compromise of such claim or ceasing to defend against such claim, if pursuant thereto or as a result thereof there would be imposed injunctive or other relief against the indemnifying Party or the indemnifying Party would be required to make any payment.

8.4. Warranty Period for General Matters

The rights of Buyer to claim against the Eternal to Indemnify Buyer for the Loss and Indemnified Amount in respect to the Eternal's Warranty for General Matters will cease to be effective two (2) months after expiration of the Warranty Period for General Matters, except for the Eternal's intentional concealment of any Breach of any Eternal's Warranty for general matters.

8.5. Warranty Period for Taxes

The rights of Buyer to claim against Eternal to Indemnify Buyer for the Loss and Indemnified Amount in respect to the Eternal's Warranty for Taxes will cease to be effective two (2) months after expiration of the Warranty Period for Taxes, except for the Eternal's intentional concealment of any Breach of any Eternal's Warranty for Taxes. Provided, however, any Indemnified Amount in respect to the Eternal's Warranty for Taxes shall be offset by any tax refunds of Epoch resulting from taxes previously paid by Epoch for its business activities prior to First Closing and to be refunded after First Closing.

8.6. Warranty Period for Environmental Issues

The rights of Buyer to claim against Eternal to Indemnify Buyer for the Loss and Indemnified Amount in respect to the Eternal's Warranty for Environmental Issues will cease to be effective two (2) months after expiration of the Warranty Period for Environmental Issues, except for the Eternal's intentional concealment of any Breach of any Eternal's Warranty for environmental issues.

8.7. Warranty Period for Pension and Employee Benefit Matters

The rights of Buyer to claim against Eternal to Indemnify Buyer for the Loss and Indemnified Amount in respect to Eternal's Warranty for pension and employee benefit matters will cease to be effective two (2) months after expiration of the Warranty Period for Employee Benefit Matters, except for the Eternal's intentional concealment of any Breach of any Eternal's Warranty for pension and employee benefit matters.

8.8. Limitation of Liability

Unless otherwise specified in this Agreement, in no event shall either Party be liable for respect to any special or indirect damages suffered in connection with this Agreement, however caused and under any theory of liability whether based in contract, tort (including negligence), products liability, or otherwise. The foregoing limitations shall apply regardless of whether the other Party has been advised of the possibility of such damages and notwithstanding the failure of essential purpose of any limited remedy stated herein.

SECTION 9 TERMINATION

9.1. Grounds for Termination

At any time prior to the First Closing, this Agreement and the Contemplated Transaction may be terminated as follows:

- a. By mutual written Consent of the Parties hereto, upon no liability by one Party to another;
- b. By Buyer, without liability to Eternal, Epoch or the Major Co-Sellers, if there has been a material misrepresentation or a material Breach of covenant or warranty by Eternal or Epoch of its representations and warranties as set forth herein or as set forth in any schedules hereto; including a Breach by Eternal of its indemnification obligations when due in accordance with Section 8.1 with respect to any Loss related to any Taxes payable by Epoch, and Eternal have not cured such Breach within the earlier of (i) the First Closing Date, or (ii) the date which is ten (10) days after the date of receipt by Eternal of written notice of such Breach from Buyer; provided, however, that if the notice of a Breach is provided less than ten (10) days prior to the First Closing, the First Closing Date shall automatically be extended to the 11th date following Eternal's receipt of the notice;
- c. By Eternal, without liability to Buyer, if there has been a material misrepresentation or a material Breach of covenant or warranty by Buyer of its representations and warranties as set forth herein or as set forth in any Schedule hereto, and Buyer has not cured such Breach within the earlier of (i) the date of the First Closing, or (ii) the date which is ten (10) days after the date of receipt by Buyer of written notice of such Breach from Buyer; or
- d. By Eternal or Buyer by written notice, upon no payment by one Party to any other Party, if the First Closing has not taken place on or before June 30, 2009 (such date to be automatically extended until September 30, 2009 if the necessary, foreign investment approval, anti-trust approvals or any other Government Authorization have not been obtained by Buyer on or prior to such date), or such other date as the Parties may agree upon in writing due to the fault of neither Eternal nor Buyer (e.g., Buyer's good faith failure to obtain Government Authorization, Epoch's and Eternal's good faith failure to satisfy the conditions of First Closing).

After the First Closing, in no event shall Buyer or Eternal have any right to rescind or terminate this Agreement.

9.2. Effect of Termination

In the event that this Agreement shall be terminated pursuant to the provisions of Section 9.1 hereof, all of the following shall occur:

- a. all further obligations of the Parties hereto under this Agreement shall terminate, except for the obligations of each Party under this Section 9.2 and Section 5.4.
- b. In the event that the Agreement is terminated under Section 9.1 prior to the First Closing, the Buyer shall transfer the one thousand shares back to the shareholder who transferred the shares to the Buyer under Section 4.1 (q) and cause the directors that are representatives of Buyer to resign from Epoch on or prior to the termination date. Buyer shall bear the costs and fees associated with transferring back the one thousand shares to the shareholder who transferred to Buyer under Section 4.1 (k) and the resignation of its representative.

SECTION 10 [Intentionally Left Blank]

SECTION 11 MISCELLANEOUS

11.1. Payment of Expenses and Fees

Except as otherwise provided herein, each Party hereto shall bear its own costs and expenses, including but not limited to attorneys' fees incurred in connection with the Contemplated Transaction.

11.2. Additional Assurances

Eternal and Epoch agree to execute and deliver such further instruments and documents as may be reasonably requested by the other Party hereto from time to time to consummate or evidence the Contemplated Transaction or otherwise to carry out the intent hereof.

11.3. Nonassignability

Neither this Agreement, nor any rights, duties or interests herein shall be assigned, transferred, pledged, hypothecated or otherwise conveyed by either Party hereto without the prior written Consent of the other Party hereto, except that Buyer shall have the right to assign this Agreement (without the Consent of any Person or Party) in the event of a change in control or to any entity owned or controlled by, controlling or under common control with Buyer, provided that Buyer shall guarantee the performance by the assignee of the obligations hereunder, to the extent not yet performed by Buyer prior to such assignment. Any attempt to convey in violation of this Section 11.3 shall be void and shall constitute a default hereunder.

11.4. Entire Agreement

This Agreement and the schedules hereto constitute the entire agreement between the Parties hereto pertaining to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings of the Parties with respect to the subject matter hereof. There are no warranties, representations or other agreements between the Parties in connection with the subject matter hereof, except as specifically set forth herein. No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the Party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver, unless otherwise expressly provided therein.

11.5. Passive Investor after First Closing

Between the dates of the First Closing and the Second Closing, Eternal hereby agrees to act as a passive investor of Epoch and shall not be entitled to appoint or designate any director(s) or supervisor(s) of Epoch, and shall not be entitled to any management, supervisory or other operational role in or with respect to Epoch, the Epoch Assets, or the Epoch Business; Eternal acknowledges that Buyer shall be the controlling shareholder of Epoch, shall make all appointments and designations of any director(s) or supervisor(s) of Epoch, and shall make all management, supervisory and other operational decisions in or with respect to Epoch, the Epoch Assets and the Epoch Business.

11.6. Non-Competition and Non-Solicitation.

Eternal undertakes not to engage, directly or indirectly, in any business nor to participate in any entities, directly or indirectly, as a shareholder or equity holder, managerial officer, director, consultant, licensor, or otherwise, which directly competes with Epoch in the Epoch Business in the ROC, United States of America, or the People's of Republic of China, and other countries where Epoch or Buyer have business operations or sales for a period of four (4) years after the First Closing Date, *provided, however*, that such undertaking does not apply to any of Eternal's efforts or business with respect to the development, manufacture, and sale of products related to 3D TSV and 3D packaging and the distribution of Epoch's LCD manufacturing applications products. Without limiting Eternal's obligation to cause the Non-Eternal Shareholders to enter into the Non-Eternal Share Purchase Agreement, Eternal shall further and specifically cause the following persons to enter into the non-competition provisions included in the Non-Eternal Share Purchase Agreement in form and substance as the non-competition provisions set forth in this Section 11.6: T.F. Shiao and Mr. Shun-Ren Huang.

Eternal shall not, for a period of five (5) years following the First Closing Date, directly or indirectly, hire or employ, or attempt to hire or employ, any of the directors, managerial officers, or other employees of Epoch or solicit or induce, or attempt to solicit or induce, any of the directors, managerial officers, or other employees to leave Epoch for whatever reason; provided, however, that Eternal shall not be prohibited from hiring or employing those employees of Epoch who have been terminated involuntarily by Epoch, or, after the second anniversary of the First Closing Date, hiring or employing those employees who have voluntarily terminated their employment with Epoch without breaching their employment agreements with Epoch.

11.7 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the ROC.

11.8 Jurisdiction

If there is any dispute arising herefrom, the Parties shall act in good faith to settle the dispute in an amicable manner. In the event that the Parties fail to reach a settlement on any dispute, then the Parties shall submit such dispute for arbitration. The arbitration shall be conducted in English at Taipei, Taiwan in accordance with the Arbitration Act of the ROC.

11.9 Public Announcements

Following the date hereof and prior to the First Closing, any public announcement, press release or similar publicity with respect to this Agreement or the Contemplated Transactions will be issued at such time and in such manner as Buyer determines, provided, however, that the text of any press release shall be subject to the prior review and comment of Epoch and Eternal. From and after the Closing, any public announcement, press release or similar publicity with respect to this Agreement or the Contemplated Transactions will be issued, if at all, at such time and in such manner as Buyer determines.

As promptly as practicable following the date hereof, Epoch and Buyer will consult with each other concerning the timing, substance and means by which Epoch's employees, customers, suppliers and others having dealings with Epoch will be informed of the Contemplated Transactions prior to the First Closing, and Buyer will have the right to be present for and/or otherwise participate in all such communications.

11.10 Notices

Any notices or other communications required or permitted hereunder shall be in writing and shall be delivered to the Party to be noticed by courier or teletype, or shall be sent to such Party by certified or registered mail, postage prepaid and return receipt requested, at the address set forth below:

If to Eternal, including Epoch:

To Epoch:

T.F. Shiao
President
Address: 578, Chien-Kung Rd
Kaohsiung, Taiwan 807
Tel:
Fax: 866-7-3833355

To Eternal: T.F. Shiao

Vice President

Eternal Chemical Co., Ltd.

Address: 578, Chien-Kung Rd
Kaohsiung, Taiwan 807
Republic of China
Tel:
Fax: 866-7-3833355

with a copy to:

[]

Address:

Tel:

Fax:

If to Buyer:

H. Carol Bernstein
Vice President, Secretary and General Counsel
Cabot Microelectronics Corporation/
Address: 870 N. Commons Drive
Aurora, IL 60504, U.S.A.
Tel: 630-375-5461
Fax: 630-499-2644

Director, Cabot Microelectronics Global Corporation

With copy to:

S. T. Lan, Lee and Li Attorneys-at-Law
Address: 7th Fl., 201 Tun Hua North Road,
Taipei, Taiwan, ROC
Tel: 2-2715-3300
Fax: 2-2713-3966

or at such other address as shall from time to time be furnished in writing by the Party to be noticed. Any such notice or communication shall be deemed to have been given upon the date sent.

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Pursuant to Item 601(b)(2) of Regulation S-K, Cabot Microelectronics Corporation hereby agrees to furnish supplementally to the Securities and Exchange Commission a copy of the following schedules to the Share Purchase Agreement dated December 19, 2008 among Cabot Microelectronics Global Corporation, Eternal Chemical Co., Ltd., the Major Co-Sellers, and Epoch Material Co. Ltd., which have been omitted from this filing:

- Schedule 1. List of Shareholders of Epoch
- Schedule 1-2. Major Co-Sellers
- Schedule 1-2(A). List of Relatives of Major Co-Sellers who are shareholders of Epoch
- Schedule 1-3. Old Plant II
- Schedule 1-4. Real Property Lease
- Schedule 2. Representations, Warranties and Covenants of Eternal
- Schedule 2-1. Financial Statements of Epoch for the fiscal year 2007
- Schedule 2-2. Material changes since September 30, 2008
- Schedule 2-3. A List of each Material Contract
- Schedule 2-4. A List of the employment information
- Schedule 2-5. A List of Insurance Policies
- Schedule 2-6. A List of Proceedings by or against Epoch
- Schedule 2-7. A List of Intellectual Properties
- Schedule 2-8. A List of Permits
- Schedule 2-9. List of Accounts Receivable
- Schedule 2-10. A List of Lease Agreements and Real Property Leases
- Schedule 2-11. A List of Tangible Personal Property
- Schedule 2-12. A List of Hazardous Materials
- Schedule 2-13. A List of Purchase Order and Accounts Payable
- Schedule 2-14. A List of Related Persons
- Schedule 3. Buyer's Warranty
- Schedule 4. List of Executive Officers of Epoch
- Schedule 5. Closing Documents
- Schedule 6. Officers and Clients Lists
- Schedule 7. List of Epoch Personnel to Sign Mandate/Employee Agreements
- Schedule 8. Planned Capital Commitments
- Schedule 9. Chief Executive Officer and Chief Financial Officer Certified Matters
- Schedule 10. Seller's Counsel Certified Matters
- Attachment A. Schedule of Exceptions

Attachment B Form of Mandate or Employment Agreements

Attachment C Form of Non-Eternal Share Purchase Agreement

Exhibit 31.1

CERTIFICATION

I, William P. Noglows, Chief Executive Officer of Cabot Microelectronics Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cabot Microelectronics Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2009

/s/ WILLIAM P. NOGLOWS

William P. Noglows
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, William S. Johnson, Chief Financial Officer of Cabot Microelectronics Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cabot Microelectronics Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2009

/s/ WILLIAM S. JOHNSON

William S. Johnson
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cabot Microelectronics Corporation (the "Company") on Form 10-Q for the fiscal quarter ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 5, 2009

/s/ WILLIAM P. NOGLOWS

William P. Noglows
Chief Executive Officer

Date: February 5, 2009

/s/ WILLIAM S. JOHNSON

William S. Johnson
Chief Financial Officer